

November 12, 2025

The National Stock Exchange of India Limited,
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400051.

Symbol: REDINGTON

BSE Limited

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

Scrip: 532805

Sir/Madam,

Sub: Q2 - FY 2026 - Earnings Conference Call Transcript

This is further to our letter dated October 31, 2025, intimating the details of Investor/Analyst call on the audited financial results for the quarter and half year ended September 30, 2025, held on November 06, 2025. No unpublished price sensitive information was shared/discussed in the meeting/ call.

In this regard, we are enclosing herewith the transcript of the conference. The same is available in Company's website at <https://redingtongroup.com/wp-content/uploads/2025/11/Earnings-Call-Transcript-Q2FY26-FINAL.pdf>.

We request you to take this information on record.

Thank you

For Redington Limited

K Vijayshyam Acharya
Company Secretary

Encl: a/a



“Redington Limited
Q2 & H1 FY '26 Earnings Conference Call”
November 06, 2025

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 06, 2025, will prevail.”



**MANAGEMENT: MR. V S HARIHARAN – MANAGING DIRECTOR AND
GROUP CHIEF EXECUTIVE OFFICER – REDINGTON
LIMITED
MR. S.V. KRISHNAN – FINANCE DIRECTOR –
REDINGTON LIMITED
MS. PALAK AGRAWAL – GENERAL MANAGER,
INVESTOR RELATIONS – REDINGTON LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Redington Limited Q2 and H1 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. V.S. Hariharan, Managing Director and Group Chief Executive Officer of Redington Limited. Thank you, and over to you, sir.

V.S. Hariharan:

Thank you. A very good morning to everyone. It's a pleasure to be here, and I'm delighted to share with you our results for Q2 '26. This has been our best quarter so far from a revenue perspective recording nearly INR29,118 crores of revenue. With a quarterly profit of INR388 crores, the profitability was the best Q2 ever.

Our revenues grew at 17%, with EBITDA and PAT growing faster than revenues. Overall, PAT for the group was standing at 1.33% for the quarter, and excluding Arena, PAT was at 1.57%.

It is a continuing story of profitable growth with growth coming back strongly across all business segments and many geographies. From a geography perspective, the revenue growth was contributed by a strong growth in many geographies.

As I said earlier, India at 23%, UAE at 23%, Saudi Arabia at 10%. If you remember, last year around the same quarter, we had a growth challenge, and we have recovered well. GCCL, newly formed cluster consisting of GCC countries outside of UAE and Levant countries grew at 22%.

Africa continued to be stable at 8%. Overall, a very strong performance with PAT growing faster than revenues across most geographies. As I said earlier, all business units contributed well to the growth. Mobility grew by 18%, contributing to 35% of the top line, driven by stronger demand in the premium segment, impactful NPIs. This quarter, we have NPIs and that had a good impact.

And a very strong execution in the direct-to-retail segment in India during the quarter. The ESG business, consisting of PCs, grew by 11%, contributing to 32% of the top line due to PC business growth, both in India and ME. We see signs of the PC refresh cycle. And we also see increased AI PC penetration, especially in the commercial space, and we see that in India, and estimate that the growth could be higher in the second half of the year if this trend continues.

Technology Solutions grew by 9%, contributing to 16% of the top line due to higher enterprise demand. I wanted to spend some specific time on Software Solutions Group. As you remember, over the last few quarters, we've been talking about our increased focus on Software Solutions.

And now we have brought the various pieces into one Software Solutions Group, consisting of cloud hyperscaler business, cybersecurity business, application software and professional services.

This is the first quarter we are reporting the results at this group in this new form. It grew by 48%, contributing to 16% of the top line. If you remember, we talked about it the previous

quarter that this group for last year grew somewhere between 20% and 25%, so we clearly see signs of accelerated growth in this area.

As I said earlier, there are 4 pieces in it. There is the cloud hyperscaler business, cybersecurity, application software and professional services, and all of them recorded good double-digit growth. It also delivered higher-than-average PAT compared to the group, which contributed to our results being what it is.

In the cloud segment, we are working with the hyperscalers and continue to take advantage of the cloud transition and digital transformation, which enterprises and large SMEs are going through. In the cybersecurity and the software business, we have been focused on increasing the breadth of our offering, signing up more brands as it makes sense, and increasing the intensity of our go-to-market and the focus with the brands towards gaining wallet share.

This is reflected in our growth in SSG of 53% in SISA and 44% in rest of the world. Overall, there are umpteen opportunities that SSG can offer through subscription models and solutions. Now where are we investing? We continue to invest on the digital platform, CloudQuarks. We have been talking about that. We already have the platform, and we are continuing to improve it to add more analytics, to add white labelling, to add automation, to add marketplaces, etc.

We are investing in technical presales teams. We are investing in Redington Academy to train and create certified professionals, both inside and outside the company. We're creating ecosystems in just marketplaces where we can bring managed print service providers and ISVs together with the products to get complete solutions for our customers, which is what increasingly in this new world of cloud and AI people are looking for.

So, all in all, I think we have had a good growth on SSG, and we hope to continue to maintain this momentum with our investments. I think the beginning of a journey. Moving on to operations. I want to talk a little bit about working capital and opex, very efficient management of working capital and a higher mix towards mobility led to the overall lowering of working capital days to 31. Opex continues to be managed well and grow slower than revenue, grew at 9% year-on-year, giving us good operating leverage.

Now talking a little bit about our subsidiary Arena. They continue to wait through economic challenges in the country, while inflation and policy rates have been coming down over the last couple of months and interest rates -- the central bank rates have gone below 40, and the inflation rates have also come down while still remaining at stress levels.

We continue to remain watchful in the concordat cases. This quarter, in order to reduce interest costs in Turkey and to minimize local currency exposure, Arena has decided to divest from their Connect Vodafone contract. This was announced earlier, and this should help us as we navigate forward in terms of improvement in our profitability.

There were some one-off impacts as a result of this transaction in the current quarter. The overall loss in Arena was INR37 crores, our share of the loss. Over the last few quarters, just to bring everyone's memory up in terms of the actions that's been taken, Arena has taken a series of actions starting with Paynet divestment, tightening of working capital and opex, managing AR

more closely, divesting from the local currency business, all heading to improve the health of the business.

We remain hopeful to steer this in the right direction with Arena leadership. We're also proud to share the news that VAR India for FY '25 has awarded Redington as number 1 IT distributor in India.

This is the third consecutive year in a row, and we are also happy to share that the lead has increased between number 1 and number 2. This could not have been possible without the support of brands and partners and, of course, a fantastic leadership and execution team in India, the Redington team.

During this quarter, we have participated in many customer and partner events in many of the geographies we are in. The notable amongst them was the GITEX in Dubai, which happened last month.

It was a great event to reconnect with many brands and many partners across the Middle East, Africa, Turkey region and build on our growth story further. We're also investing in many AI capabilities, and we will share the plans and the executions in the upcoming quarters.

I'd like to thank everyone of you for believing in us through our journey, and we look forward to your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: You have disclosed the SSG, I think, combined it and given it, so thanks for that. Just wanted your thoughts on since we have it as a separate sort of thing, both cloud and I think put together, how would the working capital intensity here be related to the rest of the business? If you could just give a comparison versus the company average working capital? How would this look?

S.V. Krishnan: Nitin, SSG, we have normally lower working capital, but not significantly lesser. When compared to the company average, you can take -- it will be more or less similar level. What you should note is the company average is mainly on account of MSG, where the working capital is much lower. That gives us an advantage. But SSG is around the company average.

Nitin Padmanabhan: The second thing was, I think you had mentioned that there is pickup in the PC refresh cycle and the AI PCs and so on and so forth. And we could -- if it continues, it's possible that the second half could be stronger. Is this common true across markets or is this specific to India?

V.S. Hariharan: Thanks, Nitin. I think we largely see the trend in India. Overseas is still a little bit flattish. It's a single-digit growth, but we are seeing a higher single digit or lower double digits in India. Specifically on AI, we've seen about 22% of our commercial PCs in this quarter came from the AI classified PCs.

So, we see a good trend. And if I see the last 6, 7 months of activation of PCs from the numbers we see, we -- clearly, there is a growth compared to the previous year. There's a growth

consistently every month in India. So, we definitely see the trend in the right direction in India. Overseas, yet to be seen. There is encouragement, but not enough of a window to call out that we are going to see growth going forward.

Nitin Padmanabhan: And then just 2 quick ones. So one is on the Arena, the INR37 crores, which is our share of it. That entire -- how much would be the one-off? Last quarter, there were provisions, and that led to a INR40 crore kind of a loss. This time, those provisions are maybe significantly lower, but we still have a INR37 crore loss. So how much would be the one-off there?

And the second question was, by when do you think we should start seeing the benefits of the Vodafone Connect sale in our numbers? When should we sort of resume that broadly? So those were the 2 questions?

S.V. Krishnan: Nitin, for the current year in terms of dollar terms, \$8.5 million is a loss. vis-à-vis overall for previous quarter about \$9.5 million. If that needs to get split in 2, what relates to one-off very specific to the Connect sale, it's about \$3.4 million.

One-off, which are outside of this, it could relate to some rediscounting charges, etc., it's about some \$2.5 million. What is steady state Arena IT plus loss is about \$2.6 million, which, for last quarter, about \$3.6 million. So, has that come down? The loss has come down in the core business, but others are one-off for the current quarter.

Nitin Padmanabhan: And the -- yes.

S.V. Krishnan: Sorry, I haven't addressed your second question. See that sale got concluded towards the end or beginning of the current quarter. We are in the process of consuming -- let's say, consummating it, which will also involve collection of some outstandings that will continue till -- this in Q3 and some part in Q4. So, a good part of the benefit should start kicking in towards the later part of the current quarter and mostly from Q4, but fully from next financial year.

Moderator: The next question is from the line of Deepak Lalwani from Unifi Capital.

Deepak Lalwani: Congratulations, team, for a stellar performance from a delivery standpoint. It's a very strong execution quarter. So, kudos to the entire management team and the efforts that you have been doing to turn around the business. It's a great reflection this quarter of the efforts and the reaping of rewards of the same?

So, with that, I have a couple of questions. The first one is, sir, could you call out that due to Arena Connect, what will be the extent of revenue, EBITDA, interest and debt reduction that we will see in Turkey?

S.V. Krishnan: Revenue will be in the range of about some \$300 million. Debt, if all this gets fully closed, we could have an advantage of between \$50 million to \$55 million.

Deepak Lalwani: And Krishnan, sir, the EBITDA and interest cost element as well, please?

- S.V. Krishnan:** See, interest cost, you can see at \$50 million -- I mean, \$55 million at 43%, 44% rate, you can work that out. EBITDA would be positive. I don't have the ready-made number. But at the PBT level, it's a clear loss.
- Deepak Lalwani:** Sir, could you specifically also speak about the \$20 million receivables that we had spoken about earlier? Will there be any incremental provisioning required for the same? And also, what do you think would be the key timelines in which the Connect business would wind down? And when will that start to reflect in the operational uptick in our numbers?
- V.S. Hariharan:** You want me to answer the second one while you need time.
- S.V. Krishnan:** See, the second part of the question is just answered to Nitin's question. This will -- the benefit will start kicking in from Q3. But since the sale got consummated just now, in terms of ensuring all the inventories are handed over to them, all the ARs are collected, the benefit will be fully seen from beginning of next year and mostly from Q4.
- The first question on concordat, some collections have happened in this quarter. If you recollect the previous quarter, I had mentioned all these are concordat cases. Definitely, it's going to be slow. And in our expectation, it will take about 18 to 24 months. So, this is going to happen only slowly.
- Are there increase in the concordat cases? I mean still the higher number of concordat cases still there. Roughly in the current year, between January to September, about 4,400 cases had got reported, which normally would be in the range of 2,000 to 3,000 entities in a year.
- And we feel whatever is balance, we should be able to collect. And we have to take a call as it stands at every quarter, and we don't foresee any major challenge, but it's going to take some time.
- Deepak Lalwani:** The next one, sir, is could you just call out what has been the reason for the slightly more higher increase in working -- in the interest cost this quarter? And also, what has been the factoring cost for this number for this quarter?
- S.V. Krishnan:** Okay. So overall, the factoring cost for this quarter is about INR45 crores. And for last year, same period, about INR33 crores. That takes the total interest and factoring cost to INR161 crores vis-a-vis INR117 crores last year, a 37% increase.
- And there is an increase in Arena from INR48 crores last year to INR60 crores -- sorry, sorry, sorry -- in Arena from INR69 crores last year to INR101 crores in the current year, an increase of 46%. If you take that out, in the rest of the business, the increase is from INR48 crores to INR60 crores, which is a 24% year-on-year increase.
- Deepak Lalwani:** And sir, incrementally, how should we think about the interest cost going forward, sir?
- S.V. Krishnan:** Okay. In the rest of the markets because of higher business growth, there will be absolute increase in the working capital. However, interest rates are coming down a bit slowly. We think the interest costs as a percentage of revenue should come down rest of Arena, outside of Arena.

In Arena, the 2 steps which Hari mentioned, one, the sale of Connect, and we are also in the process of winding down our Turkish lira business, these 2, ideally in the next 6 months, should be fully affected, too. If that happens, you will see a significant reduction both in the debt levels as well as in the interest costs.

See, the important point is the interest cost today is very high in Arena because of Turkish lira loans. If we exit or wind down significantly the Turkish lira business, then the debt that we need to raise in the local currency is much lower. And to that extent, the incremental benefit will be significant, or the interest reduction will be significant.

Deepak Lalwani: And sir, it's fair to assume that the Connect business that we've sold had a large component of the Turkish lira. So as that business is going up...

S.V. Krishnan: 100% Turkish lira.

Deepak Lalwani: Got it, sir.

S.V. Krishnan: It's 100% Turkish lira business.

Deepak Lalwani: Noted, sir. And sir, just my final question is, how should we think about your incremental opex? Is your current opex adequate to support this high revenue growth that you continue to do? And also, could you specifically call out an outlook region-wise for the businesses in the second half?

V.S. Hariharan: Okay. Let me try and attempt that. So firstly, we continue to see growth on SSG with the momentum we are building. And that will require continued investment, as I mentioned, on presales, platforms, academy, a whole lot of things.

So clearly, we will invest and there will be more opex going there. But the return on investment will also be very good. We -- as I mentioned, the gross margins are higher on that business, and the profitability levels are higher than the Redington average. So, we clearly see more investments. We're getting leverage because of the larger revenue size and growth.

In terms of outlook, so far, India, UAE, KSA, all 3 geographies, we definitely see good outlooks. At least in the near term, the next 2, 3 quarters, there is good reason to believe in all business units as well, including mobility, there is a strong momentum on mobility, and we see that continuing for the next 2, 3 quarters.

As I mentioned, PC, we expect the PC growth to pick up if the trending, what we see in India is right. And we also have several deals in the pipeline on Technology Solutions, which we expect to fruition in Q3 and Q4, both in India and overseas.

So definitely, the outlook is positive and promising. I'm not able to give you a number, but it's promising. We will continue to invest some in the core business, more in the SSG business going forward. We're actually crafting up, as we speak, 3-year plans on how to look at multiyear investments for things like SSG in a way that we can get the right return on investment.

- Deepak Lalwani:** And sir, on the opex, could you just suggest that is the current opex enough to support the adequate high revenue growth as a percentage of revenues or should we think that, that can go up incrementally?
- V.S. Hariharan:** I would think it can go up incrementally, the opex as a percentage of revenue. You got good leverage this quarter.
- S.V. Krishnan:** You need to look at opex in 2 forms. One, the core business; and the other one, investments related. What you see now, while there is an overall control on opex, if you see the core business removing the investment, the optimization is even further, right?
- But on the investment part, which is what Hari mentioned, that we feel the investment need to be more to ensure the capability building is in proper form, and SSG is definitely looking very attractive, and that's our focus area also. That, we think, we need to make right investment, and we shouldn't -- I mean, we should not miss the opportunity.
- V.S. Hariharan:** But we will be mindful to keep opex percentage growth lower than the gross margin growth. That is always our intention. So, we'll definitely be working our own action plans to see how to keep that leverage going.
- S.V. Krishnan:** I need to tell you one thing, which is a very important point. You all know the gross margin is x percentage, operating profit is about half of that, and PAT is about one-fourth of that. What we had observed, I mean, you can see from the numbers, from the incremental gross margin, what we have derived is almost half of that into the PAT, which very clearly shows, which is a point we have been making even in the last earnings call also on the large deals, right.
- When we are able to generate incremental gross margin, keep opex and working capital under control, what will flow through into the profit will be significant. And that's what we had seen very clearly this quarter.
- Deepak Lalwani:** Wonderful, sir. I wish you more quarters of such execution. All the best.
- V.S. Hariharan:** Thank you.
- Moderator:** The next question is from the line of Pratik Kothari from Unique PMS.
- Pratik Kothari:** Yes. So first of all, congratulations, a very strong and quick come back in numbers. So, one on TSG. Last quarter or last 2 quarters, you had called out some profitability pressures there. I mean you were winning large deals, but there were -- on working capital and profitability, you were seeing some issues. So, one growth this year is an outcome of that where we have let go of a few contracts? And just overall, how is that space shaping up?
- V.S. Hariharan:** So again, let me just set the context. So, TSG, now the new TSG for us is really server, storage, networking, the hardware components. It had some of the software pieces which are moved to SSG. So clearly -- and when we start comparing, we'll compare TSG to TSG likewise. And the actual size of the business has got restated, as you will see in the percentage contribution of TSG to the overall business.

We are definitely seeing good enterprise demand. We are seeing large deals. We will be selective. We will not let go our deals because as we mentioned in the last few quarters as well, it's important for us to be relevant in the space with our brands and vendors. And there is also a lot of Make in India brand coming up, and the data centre deals in India is growing up.

So, we will participate in these deals. And I think Krishnan had mentioned in the previous earnings call that we always look at by deal, what will be the ROCE that we'll get and what will be the profitability.

So, we will look at the balance of both. Clearly, if I look at a pure margin perspective, it might pull down the weighted average margin, but with the incremental margin and profitability, we'll get on the deals will only increase our leverage.

So that's how we will look at it. Clearly, we will go and -- go after deals, and we'll balance our risk and return. And that's how we're looking at it. And you will see we do have several deals in the pipeline coming up for the next 2 quarters, and some of them are fairly large, and we will go after them. And as and when we make -- make them happen, we'll also report and share with the group.

S.V. Krishnan: These large deals are incremental revenue, Pratik. That's the way you should see. Outside of it, we will still ensure that is an interesting growth. And if there are opportunities, which are incremental where our cost increase are going to be marginal, we would want to handle those.

Pratik Kothari: And sir, was this Vodafone agreement exit, I mean how much more the lira business stays in Arena? Or is it all USD?

V.S. Hariharan: So, it's a progressive approach we are taking. So, as Krishnan mentioned earlier, the Vodafone contract, all of it is 100% lira. There is some amount of consumer electronic business within the IT business that we have, which also we are exiting -- and might take another 1 quarter, 1.5 quarters to get exit from that.

And then there is some channel business, which has to be done in lira. It is not a perfect market where I don't become relevant for a brand. If I don't do -- if I go with a brand, I have to operate in multiple channels. And so there might be some amount remaining there, but a smaller amount, where some channels do only business in lira.

And I can't work with the brand if I don't do both. So largely, by Q4, as Krishnan mentioned, both from the Vodafone contract and we call it the mixed business internally, which is basically lira business on specific products that we will exit. We might have a small mix of channel business, which is -- I have to work with a brand which has got both.

Pratik Kothari: And sir, last, more of a discussion point than a question. This 40% dividend payout, I mean, in years like this where we are seeing strong growth in possibly even going forward, I mean, should we think of being more flexible in terms of maybe paying out lower -- or maybe instead of paying out 40% every year, do it over 3, 5 years, such that we don't do it at cost of balance sheet and obviously, ramp this up and the growth slows, but any thoughts around this, anything we can think of, instead of doing 40% every year?

- V.S. Hariharan:** So, thanks for the feedback. That's very heartening. And we will bring it to our Board as well and have a discussion. But your point is bang on because if -- we don't want to leave growth on the table at the cost of dividend because our current dividend policy and profitability allows us to grow 10%, 12%, and there is market growth available. We definitely value feedback like this, and we will bring it for discussion to the Board.
- S.V. Krishnan:** And there are very good opportunities for growth. So, we just want to be mindful not having enough leverage advantage should not be impacting recapturing that business. So, we are very mindful of that.
- Pratik Kothari:** Exactly, exactly. I mean does that dividend payout should not come in the way. I mean, it's better you reinvest a 20% ROCE and give it back to us?
- S.V. Krishnan:** See when we don't have requirement for money, we would be very happy to give it back to you. I think there are requirements, we would want to give you better returns, that's the objective.
- Pratik Kothari:** Correct. And there are peer companies in markets who are doing this, where they change this dividend ratio based on the balance sheet that they have. I mean we can discuss this more later, but yes, thank you.
- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Congratulations on a good set of numbers. I think most of my questions have been answered, but just one question related to Arena, which I could not fully understand. So, on the EBITDA side, so basically, we were incurring some losses. Now we have sold our lira business substantially. So, let's say, from FY '27 onwards, on a quarterly basis, what would be the change in EBITDA because of this transaction?
- S.V. Krishnan:** Sarvesh, frankly, the EBITDA percentage in Arena is the highest within the group. The reason why it does not matter is because you know well, EBITDA is a factor of the interest rate. At those interest rates, it's still not working out, and hence, we are making loss. So, from an EBITDA perspective, it may not be a big difference.
- But from a profit before tax or after tax, it will make a difference. Our objective is to turn to profits. Right now, the visibility is reducing loss, maybe to make it nominal, but there are a lot of work to do in terms of converting the loss into profit, work have started, but it will take some time.
- Sarvesh Gupta:** So, sir, you mentioned that the interest cost saving would be around, I think, \$23 million. But what would be the EBITDA, let's say, for this quarter? If you take out the sales-related expenses and all, what will be the EBITDA for the remaining part of the Arena business for this quarter?
- S.V. Krishnan:** Okay. I don't have a ready-made number. I think it would be north of 3%.
- Sarvesh Gupta:** North on 3%? And what is the remaining sale that we have, sir? After the sale of the business, what is the going concern quarterly revenue?

- S.V. Krishnan:** We have Arena IT business, right? There are 3 parts of business. One is Connect, which has got divested, we discussed. Second, there are still more some TL-related businesses that we handle, and we are in the process of reducing that.
- The third portion is the Arena IT business. If you recollect, Hari also mentioned, it is predominantly U.S. dollar and it is like any other IT business that we handle in the other parts of the world.
- V.S. Hariharan:** That will be roughly around \$500 million plus/minus, Sarvesh. And that business will continue. Right now, it's flat to decline because of the market situation. We expect it will be depending on the market size and our share, roughly \$500 million next year as a number, if you have to start with.
- Sarvesh Gupta:** And on the working capital side, is there a substantial difference between the lira business, which we sold and the remaining part of the business?
- S.V. Krishnan:** It is higher. I won't say substantially higher. It is higher. So, on one hand, we have working capital more than the normal. Second, the interest rates are higher, and hence, it's not viable.
- Sarvesh Gupta:** And finally, sir, on the inorganic side, are the -- I was trying to look at some of the opportunities in the market. Are there such opportunities that we are finding? Or does it not add any value to us as such to do inorganic?
- V.S. Hariharan:** We always explore this. One area where we are exploring is the Software Solutions Group because that's an area that's evolving very nicely in terms of a lot of new things, new areas of capability, new areas of competency we need to build.
- And more small inorganic opportunities is what we're looking at. I don't think we are ready at this stage because we are learning as well that cybersecurity, for example, is a big growth area, and it is right for distribution because the MSSP, the security practices is almost a 20% of the security product businesses security practices.
- And a lot of our existing partners do this, but it's a very complex area and growing very rapidly. Clearly, between security, between cloud and some of the competencies we want to build, we are exploring, I would say, very early stages right now.
- Sarvesh Gupta:** All the best for the coming quarters.
- S.V. Krishnan:** Thank you.
- Moderator:** The next question is from the line of Lakshminarayanan from Tunga Investments.
- Lakshminarayanan:** Just one question. In terms of the SISA business, how the Android phones are actually growing. Just want to understand that particular part?
- V.S. Hariharan:** So, I'll give 2 perspectives. I'll give India and overseas. Clearly, that's been one of our very nice growth drivers, and I think I alluded to it in my opening presentation. We work with 2 premium brands. The premium part of the market in India is growing very nicely. And of course, Apple

is a very strong player there, but a couple of the Android brands have also moved very, very nicely.

And I would say that's been a big contributor over the last 2, 3 years on our growth numbers. This quarter also it has done well. The D2R channel, the direct to retail channel, that we have built with over 5,000 outlets are getting only premium phones, has been one of the key drivers for this.

Overseas, we do work on a few premium brands as well and both in MEA, which is KSA, UAE as well as Africa, and it has also been a good contributor. So, Android premium brands has been a good growth trajectory for us.

Lakshminarayanan: It was mentioned recently that Apple, they called out in their earnings call that India has actually grown very well. Now our growth is ahead of Apple's growth in India in a sense that are we getting higher market share. Second, is the Android phones are actually out shipping the growth of Apple phone, especially in the premium segment we are catering?

V.S. Hariharan: So hard to really give relative numbers, but because Apple reaches some part of the market directly and some part is distribution. Clearly, in the distribution space, we've been playing a role on upcountry as well, and there is a lot more growth in upcountry, which could have resulted in the distribution TAM being a little bit higher, that total addressable market.

As you may be aware, there are only 2 players in India, Ingram and us in the Apple space. And there are times when we do a bit better, and there are times that they do a little bit better. So, the numbers are roughly 50 plus minus. We are not able to give exact numbers on this. But yes, the market for us is growing because of the many SKUs they have in the upcountry.

That's what I would say in terms of Apple. Do we have a second question? That's all. You talked about numbers as well. I think the value business from a value perspective, Apple continues -- and you can these are published numbers.

You can see Apple continues to gain share from a value perspective because they sell into the super-premium or ultra-premium space very well. And clearly, they're doing very, very well. And we're taking obviously advantage of that growth as well. So, the value from a value perspective, Apple continues to become better and better from its share.

Lakshminarayanan: And on the SSG, which is the professional services, I just want to understand what kind of -- how many resources we have providing these professional services? And second, what kind of liability you actually assume because these professional services also mean that your person is there in the premises and there could be issues, etc. So, I just want to understand how are you thinking about this SSG business from -- and how many professionals and what kind of liabilities you actually come across?

V.S. Hariharan: Sure. So, our own resources, we roughly have about 125 resources in the company, mostly in India in professional services. And these resources are focused on things like migration, modernization, spinoffs, DevOps, a range of services. And we -- in most cases, we work with customers through channel partners, and we closely watch our liabilities.

And because you want to scale this business, the approach we're also taking is how to create cookie-cutter models rather than every service becoming a bespoke service deal. So, take migration, for example, is there 100 customers, does it have to be 100 instances of migration? Or can I find commonalities and find a way to automate this and have different -- similar sets of migration for similar sets of customers. So that will be our approach.

In all of this, the approach we will take is to productize the professional services business so that we can scale up with our partners. We do want to bring our partners along in the journey. People are providing services, professional services, and we can share the margins and the revenues with them.

Lakshminarayanan: And any specific areas which actually led to an excellent growth in that group in the first half, particularly SISA?

V.S. Hariharan: I think it's sometimes -- I think it's a matter of focus. I think as we moved within the organization, the different groups around and also put all the focus, because, see clearly, what's happening is the cloud part of the business had moved completely subscription, whereas when you look at cybersecurity and software, some products were subscription, some were still licensing multiyear contracts.

And we believe directionally, everything will move subscription. Similar go-to-market motions where people want to work on a digital platform, they want to automate the renewal process, they want to bundle professional services even from vendors.

And all that instinct, once you put it together, it becomes similar. We still work with many brands. So, we need to get focused and build practices around each one of these areas separately.

But I think the sheer focus and attention has created breadth and depth on all the brands. So, we've taken on more brands. We have looked at our wallet share, brand by brand, and where are we weak and what actions we need to take. So, it's the beginning of a journey, as I said, because the last 3 months, this transition has happened, and we are encouraged by what we see.

Now does it mean that next quarter will be as good or better. I think directionally, if I look at the next 6 to 12 quarters, clearly, this area we want to grow between 30% and 50%. Last year, we grew about 22%, 23%, if I aggregate all of the SSG pieces year-over-year. But this year, we can already see directionally we headed 40-plus. So, we will continue to work on it. The opportunity is there. It's a question of good execution and good focus.

S.V. Krishnan: I just want to add. If you recollect a couple of years back, cloud was part of the current ESG. At that time, we used to call it as enterprise segment. And it was growing at about 20%- 25%. When it got separated out, then we started seeing a 30% growth and then a 40% growth. That's the same thing we would want to do in SSG, and as Hari said, we just started the journey there.

Lakshminarayanan: Just last question from my side. When you set out this financial year, and we are half year through, what are the areas which has actually done ahead of your expectations? And which are the areas or strategies that have gone behind your expectations broadly?

V.S. Hariharan:

Very good question. So clearly, SSG, we expected things will transition, but not so quickly. So definitely, is done ahead of expectation, and we would like to maintain it, but there's a lot of work, and we want to make sure there are no missteps here. MSG mobility has been ahead of expectation for a variety of reasons.

We didn't expect the market to continue the same growth rate. And overseas actually a surprise is even more. In Middle East, Africa, the monthly run rate on Apple and some of the Android businesses has been quite ahead of our thinking and plans. So, both those are ahead.

I wish we could do more in the ESG space. The PCs have long promise of Windows 10 to 11 refresh, which has been slow and not there yet. The AI PC, we are quite inspired by the numbers in this quarter, especially in India. But again, that has not lived up to its promise. So, I would say it's a bit behind.

TSG is thereabouts there. I think a lot of the business in TSG is becoming a larger deal. And also, margin and profitability is an area on Technology Solutions that we need to work very hard on to bring that up in terms of value Redington brings to the table and our ability to grow the size and share there.

So, if I had to take a quick shot at your question, clearly, SSG and mobility are ahead of our plan on thinking, and TSG and ESG are behind. Yes.

Moderator:

The next question is from the line of Rucha Somaiya from Old Bridge Mutual Fund.

Rucha Somaiya:

Congratulations on a good set of numbers. I just had one question with respect to the growing data centre capacity in India. Specifically, how is Redington contributing to this trend? Are there any specific partnerships or initiatives, technological enabling efforts in place?

V.S. Hariharan:

Are you referring to the Make in India...

Rucha Somaiya:

No, the growing data centre efforts or actions that is the trend that is going on around, how is Redington place? Is there any capability that is positioning -- that is handling our positioning to be a little stronger around the data centre ecosystem?

V.S. Hariharan:

Very, very good question. So, there are 2 parts to this question. One, of course, how can we engage in deals. And some of the large deals I alluded to is actually data centre related. You are aware that the hyperscalers and they put the data centres, they work directly, and we have no role to play in it.

But increasingly, local deals, which are Make in India products being sold to data centres in India, we are being asked to come in to switch deals together. So, we play a role, and you will hear some of those as we go along. They're fairly large deals, some of them. So that's the starting point.

But we are actually in the middle of crafting a data centre strategy. There are definitely many opportunities we see. For example, once a data centre is set up or getting set up, what about cooling systems, what about power for the data centre. And we do work on some of those

categories -- types of categories. Should we get into them wholeheartedly and work with vendors to develop products in those is one question.

Similarly, once data centres are set up, we -- clearly, there is a requirement for software, a whole range of software, from platforms to application software that will go into it. That is clearly an area we'll play a role.

And then fulfilling capacity because once data centres are built up, whether they are public data centres or co-locations or private data centres, there will be clearly a requirement for the people, who are building these data centres to fill them up with capacity, either with mid-market customers, enterprise customers.

And we're consciously looking at each of these areas and saying, what kind of action planning teams that we can have to get into these areas and get a share of this piece of the market. But it's been a recent phenomenon, the non-public and then more Make in India data centre growth. So, we are in the middle of that discussion and strategy formation.

Moderator: The next question is from the line of Nikunj Mehta from Wealth Guardian.

Nikunj Mehta: Congratulations on very good execution. And my question was pertaining to Turkey. What are the other steps that you all are planning to take apart this Vodafone deal that you've done? Any similar deals that you all are looking at or you all are looking at completely exiting Turkey? Any update on that, if you could give it, that would be useful, please?

S.V. Krishnan: Nikunj, I'm sure, you acknowledge there have been a lot of steps that we have been taking in the last 1.5 years, and we think all in the right direction. I mean, we sold off Paynet. There had been a lot of debates internally. Is that a crown jewel we keep investing? What should we do? We feel core business is much more important. We divested the process, took some time.

And the market did not recover. Then we took some decisions in terms of cutting down some costs. It wasn't sufficient. Still, we continue to make some loss. And we decided to sell the TL business, and we had moved on, and that's what you see in the form of Connect getting divested.

Unfortunately, last quarter, another event happened, which was unexpected, and we need to handle it. So overall, the ecosystem is quite challenging. But as I keep mentioning, the full credit to the leadership team there. They have been trying to maintain above board as much as possible. So right now, our decision after Connect is also to exit from the rest of the TL business.

As I had mentioned for the previous query, we think it will not automatically move into a profitable situation. We will still have loss, maybe a lesser loss. But for us to get converted into profits, there are certain strong steps that are required, which we are in the process of doing. Maybe in about 6 months, we should see some light at the end of the tunnel. That's where it stands.

So, we are taking right steps, Nikunj. That's what I can tell you at this point.

- V.S. Hariharan:** And if I can add to what Krishnan said, Nikunj. There are 2 key parts to it. The light at the end of the tunnel, there are -- we have a business in Redington Turkey that's very software-centric. That business actually has been growing good double digits profitably.
- And there are parts of the Arena business, which is Microsoft-centric; also, has grown very well this quarter. It's actually contributed to the SSG part of the business where there's cloud and security and all of that. And that, again, in the DTAM space, we have more than 50% share of the Microsoft business in the market in Turkey, also quite profitable.
- So, we're clearly working on action plans there. On one side, reduce dependence on lira business and really manage the working capital down, working capital required and the -- and be more U.S. dollar dependent. But the growth on the software cloud-centric area in Turkey is definitely looking promising. So that can balance off everything else. So, we're headed in that direction.
- Nikunj Mehta:** Really appreciate the answers and the clarification and wish you all the best for the future quarters.
- S. V. Krishnan:** Thank you, Nikunj.
- Moderator:** The next question is from the line of P Venkatesh from Corporate Database India Private Limited.
- P. Venkatesh:** Yes, sir, I wanted to know what would be the debt levels in Arena currently. What has been the amount of debt that has been divested -- that has been repaid post payment divestment? Also, I want to know what would be the investment that you're talking for SSG, we have been referring to some investments that we'll be making going ahead, what would be the outflow in those investments? And lastly, I want to know you had referred to the 4 areas in SSG. So broadly, what would be the mix of those 4 areas in SSG revenues?
- S.V. Krishnan:** Okay. I'll answer the first part of the question, Venkatesh. Arena debt levels are currently at about 130-odd million, used to be about 160 plus. Assume those concordat cases had not happened, we would have definitely been better off about \$15 million, \$20 million, but that's where we stand.
- V.S. Hariharan:** Yes. So talking about the investment in SSG, too early to talk about those investments since there was a question, I did say that we are exploratory stage right now. So, we can't even talk about investment levels, etc. But in terms of the mix of the business, you can say that there is somewhat of an equal mix between security, cloud and software business with software being a little bit higher, but somewhat of an equal mix.
- And the professional services part of it is less than 10% right now, but it will definitely be an area of growth for us. But between the remaining 3 businesses, you can say, a fairly equal with software business being slightly higher weighted.
- Moderator:** The next question is from the line of Sunil Kothari from Unique PMS.

Sunil Kothari:

First, congratulation on the agility and the flexibility we are slowly now adapting to remove some businesses. But we are giving enough thought before removing those because, ultimately, we are serving those same customers and same supply across the other parts of the world. So really very sensible decision we are taking. Hearty congratulations for that.

My question is we have a slide on our presentation. It talks about the technology trend, growth CAGR, and what it means to Redington and all. Combining this slide, I would like to understand is, since last 3, 4 years, we have grown our top line really well. I'm talking yearly, nothing to do with this quarter or the next quarter.

And our bottom line is almost static having some reason of 1x some currency-related interest rate and everything. Now another 10 years, if you look at the last 10 years, the way we've grown is around 13%, 15% top line, similar CAGR of bottom line. What is your thought process for the next 3 to 5 years, which are the challenges, which can derive from this trend or maybe accelerate this trend? Something qualitative will be really helpful?

V.S. Hariharan:

Okay. Let me try and answer that question. See, you already mentioned that we have been growing at 15% top line and 15% bottom line. If we can maintain that kind of growth, obviously, that would be very interesting for us and will be a good enough -- a good vision. Now to answer your question, we -- clearly, the world is transforming. 25% of the total distribution market has become software globally and software and services.

With AI, it is only going to deepen and accelerate. And in our mix of the business, last year, it was 15, now it's become 16. So, if I look at the different business units, clearly, the Software Solutions Group today has an ability to appropriate higher margin to drive higher-than-average profitability.

There's also a professional services and bundled services attached to it, which can also get you higher margins and higher profitability, that's one of the reasons we embarked on this journey to grow that piece of the business faster. Now to do this right, Software Solutions Group business right, we have capable digital platforms because everything is done on subscription on the digital platform.

And we will have to do renewals on it. We'll have to find a way to create a lot of value on the digital platform by bringing multitude of solution providers together so that this business remains sticky to Redington because it is over digital.

So, we are bringing in software brands, we are bringing service brands to resellers and customers. We have to keep it sticky. We have to make sure that we add a lot of value to brands and agentic AI solutions. So that will be critical. So those are the positives and the risks.

Now clearly, hardware part of the market is getting more commoditized. And as it gets more commoditized, the expectation from brands and OEMs is to really give lower and lower margins to you. And so, what are the risks? The risks can be in the hardware areas of Technology Solutions and PCs where they are commoditized.

So, it is the -- that is the balance we'll have to seek. We'll have to keep working on higher-margin solutions, and we'll have to make sure that we bring a lot of value over the digital platforms. That's really how we are thinking about it.

Sunil Kothari:

Sir, looking at the last 4, 5 years, the way we have grown our top line, bottom line was not matching, what would be the reasons. Next 3, 5 years, should we expect better bottom line because of this strategy because we are -- as we are discontinuing some tough businesses or loss-making businesses. Those should be the very realistic expectations from you.

S.V. Krishnan:

Sunil, let me answer this. See, you are looking at from a window of 3, 5 years' time frame. Please understand your start point is COVID period, which believe me, is completely unreal for this business. That's a time where demand was peaking, supply was restricted.

You can imagine for an intermediary like Redington, what one-off opportunity that is, right? So, maintain that profitability, that profit amount, you can't imagine what we need to go through, right? And I would urge you to make a comparison between various global players in this industry vis-a-vis Redington numbers. I'm sure your question will get very clearly answered.

In terms of growth, in terms of the profit percentage, we keep talking about profit percentage. I don't think anyone does. Third is -- I mean, is the return ratios. All the 3, ours is significantly superior compared to the rest of the players. So, I think that's what, in our view, is important. Yes, we knew that we haven't grown the absolute numbers, but it's not easy. We feel happy that we are able to protect our profitability.

But I mean, your question was into the future, I hope Hari has answered. We remain very positive into the future, and we think SSG will be a very important contributor in terms of our profitability into the future.

Moderator:

The next question is from the line of Vinay Menon from Monarch Capital.

Vinay Menon:

Congratulations on a great set of results. Just a few questions. One is, sir, Windows support, 10 support, has ended. And are you seeing any impact already of a switch to Windows 11? Is it any visible trends in the market?

V.S. Hariharan:

So, as I mentioned earlier, we have not really seen a big uptick because of the migration. Clearly, consumers are still waiting and a lot of them have not migrated. Commercial, maybe a little bit more. But I think there seems to be a wait-and-watch approach rather than a whole hold of people trying to migrate from 10 to 11. And we also hear that there may be extended support provided beyond the timelines given. So, we've not really seen a big impact of the 10 to 11 refresh yet.

Vinay Menon:

That helps. And one thing on the data centre side, sir, in terms of large deals, are we looking to get large deals which might be a little lower on margins? Or are we going to steer away from anything which impacts our margins or ROCE in any way?

S.V. Krishnan:

This got answered already, Vinay. See, these are really incremental business. And these business, you need to ensure that you have adequate capital. You are able to manage the complex logistics and structuring of the transaction. If we are okay with that, we are quite okay to go

ahead. I mean, provided it gives us incremental revenue and incremental margin, as Hari said, our key decision-making principle on some of this is return on capital employed.

We would want to ensure our ROCE is secured. But from a profit percentage perspective, these being large deals, I don't think we can expect similar profit percentage. So that's why when it becomes larger, we would want to call out and disclose so that you are able to track our performance otherwise very clearly.

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

V.S. Hariharan: Thank you so much for all your questions, and thank you for listening. We hope we answered most of them adequately. And thank you for your trust in us, and we look forward to another good quarter. We'll be in touch, and bye for now.

S.V. Krishnan: Thank you.

Moderator: Thank you very much, sir. On behalf of Redington Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.