

August 25, 2025

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

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

**Sub: Transcript of Conference Call with Analysts / Investors pertaining to the Unaudited Financial Results of the Company for the quarter ended June 30, 2025- Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith is the transcript of the Conference call with Analysts / Investors held on August 19, 2025, post declaration of the Unaudited Financial Results for the quarter ended June 30, 2025.

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

We request you to kindly take the above on records.

**FOR GNG ELECTRONICS LIMITED**

**SARITA TUFANI** Digitally signed by SARITA  
TUFANI VISHWAKARMA  
**VISHWAKARMA** Date: 2025.08.25 09:18:13  
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**Sarita Vishwakarma**  
**Company Secretary & Compliance officer**  
**Membership No. A59547**

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**GNG Electronics Limited**

(Formerly known as GNG Electronics Private Limited)

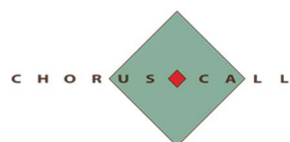
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**“GNG Electronics Limited  
Q1 FY '26 Earnings Conference Call”  
August 19, 2025**



**MANAGEMENT: MR. SHARAD KHANDELWAL – FOUNDER AND  
MANAGING DIRECTOR – GNG ELECTRONICS LIMITED  
MR. AJAY PANCHOLI – DIRECTOR – GNG  
ELECTRONICS LIMITED  
MR. RAKESH JHUNJHUNWALA – CHIEF FINANCIAL  
OFFICER –GNG ELECTRONICS LIMITED**

**MODERATOR: MR. ADITYA BANSAL – MOTILAL OSWAL FINANCIAL  
SERVICES**



**Moderator:** Ladies and gentlemen, good day and welcome to the GNG Electronics Q1 FY '26 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 this conference, please signal an operator by pressing star and then zero on your touchtone phone.

Please note that this conference is being recorded. I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. I now hand the conference over to Mr. Aditya Bansal from Motilal Oswal. Thank you and over to you, sir.

**Aditya Bansal:** Thank you, Darwin. Good evening, everyone. On behalf of Motilal Oswal Financial Services, I welcome you to Q1 FY '26 earnings call of GNG Electronics. Joining us on the call today are Mr. Sharad Khandelwal, Founder and Managing Director, Mr. Ajay Pancholi, Director, Mr. Rakesh Jhunjhunwala, CFO from GNG Electronics.

I will now hand over the call to Sharadji for the opening remarks. Over to you, sir.

**Sharad Khandelwal:** Good evening, everyone. I extend a warm welcome to all participants joining our very first earnings conference call post our successful listing. We are deeply grateful for the trust and confidence our investors have placed in us.

Before I begin with the business and financial updates, I would like to take a moment to speak about our IPO. We are humbled and delighted to share that our IPO was a resounding success, subscribed around 150 times, QIB 266 times, NII 227 times, and retail investors 46 times, with more than 44 lakh applications, making it a well-received offering in recent times.

This overwhelming response from institutional investors, NIIs, and retail participants is a strong validation of our business model, growth strategy, and leadership position in the refurbished ICT industry.

The primary objective of the fundraise was to strengthen our balance sheet through debt reduction. From the net proceeds, we are reducing INR320 crores towards debt availed by our company and our material subsidiary. This step will help reduce financing cost and enhance financial flexibility for future growth.

We are truly honoured and humbled by the confidence the market has placed in us, and as a management team, we are committed to delivering sustainable growth, profitability, and long-term value for all stakeholders. Since we are getting this opportunity to speak for the first time to a wider audience, I would like to also speak in detail about the business, what the business we are in, how the business got started and different elements of business and how we see the road ahead. We are India's largest refurbisher of computers, and one of the largest, if not the largest, in the world.

What we do is refurbish used laptops, bring them to state of new in terms of both performance and aesthetics, with our unique one to three years of replacement warranty. We practice true sustainability. We have repair over replacement approach for our refurbishment, which is both cost efficient and climate friendly.

Devices sold by us are typically sold at one-third price of a new computer. They work like new, they look like new, and with our comprehensive warranty, it's a very strong and compelling proposition. In terms of market size, a third of computers sold globally are pre-owned or refurbished, and the phenomena is common both for developing and developed countries alike.

The United States sells 90 million computers, 65 million are brand new, 25 million are refurbished, Europe around the same. In our country, 20 million computers are sold, 15 million are brand new, 5 million are refurbished. We use multiple devices for multiple tasks.

Phone is for consumption, tablet for note taking, but computer is a primary device for productivity, creativity, and education needs. And with more and more high-end computing required due to AI and other applications, a premium high-end refurbished computer at affordable price is a very, very relevant proposition and very good use case for all kinds of customers. We are fully integrated, present across full value chain and very, very granular in our facilities.

We buy from large corporates, mid-corporates, leasing companies, aggregators, ITES companies in India and international markets. We refurbish them in our granular facility following 21-step refurbishment process including paint, LCD work, and fabrication, bringing them to a state of new. It is very unique to us and selling around the world using our channel strength to reach ultimate customer as close as possible.

This presents very high barriers to entry. We try to solve credibility, reliability, and affordability in this business. In terms of my personal background, I am a Chartered Accountant, 1994 batch, and held strength all India during that examination.

Soon after, I started computer distribution business. During the course of my journey, I realized there is a need and requirement for refurbished computers, but despite being in the industry, could not find many suppliers. I researched around the same between 2015-16, which visited numerous facilities in Canada, Europe, and the United States.

And what I realized was while Europeans and Americans, while they could refurbish devices, they were mostly on the functional side nothing much they could do on the aesthetic side, and even on the functional side, when the input quality was good. So, quite humbly, we wanted to create a product which was like new in terms of both performance and aesthetics. To that end, we started as a proof of concept, a small facility in Andheri, Mumbai, 1200 square feet facility.

And when we got the product right, in 2017, we started simultaneous operations in India and UAE. India and UAE both simultaneously to harness 70% total computer market. I'd like to speak about five different elements of this business, starting with customers.

Customer case is diverse. Customer is the large companies, mid-companies, SMBs, schools, colleges, and users, startups AI users, graphic designers. All kind of people have need and requirement of this kind of device, which is one third of the price and looks like new, works like new with a warranty.

We primarily focus on business as our ultimate customer, because here we get appreciation and for the warranty and quality, and we are able to price our products better. We use our channel strength built over years to reach the ultimate customer. And it is very, very important to note, while one can buy brand new product from various sources, it is difficult to buy refurbished product from anybody.

So you need to build a lot of trust and credibility and channel strength allows us to give very, very large reach. Very important also point to note is that for a channel partner, it is easy, relatively easy to buy a brand new product from various sources. To buy a refurbished laptop, the supplier needs to have a very, very consistent track record of servicing, warranty, and delivering quality products.

On the supplier front, we have a solution-centric approach. When a company or individual wants to dispose of assets, they have concern around privacy. And in some geography, either by force of legislation or their own accord, people have concerns around sustainability too.

We solve all privacy and sustainability criterias. We have all the certification in place. Our facility was audited by banks and software companies on privacy and sustainability goals. And due to the channel strength and our presence across full value chain and our ability to sell our product around the world and cost-efficient repair over replacement approach for our refurbishment, we are also able to offer fair price to our suppliers, which is very crucial to ensure consistency in supplies, which is crucial, very crucial for this business.

I would like to speak about brand partnership. We all know when we buy a new phone, we are offered a fair price of the existing phone that we have. But it has not been happening very effectively in case of computers, both on commercial side and consumer side in India and international markets. We have partnered with two leading brands of India, and we support their buyback and assured buyback services, mostly on the commercial products.

The benefits are multifold. It helps the OEM expedite the refresh cycle. They are able to get initiate sale of new units. They are able to sell their existing assets at a fair value, and also get assurance of price of the product that they can dispose of at a future date. For us, we are getting good supply of commercial supply high-end products from corporates, as well as assured supply at a future date. Our India facility has also been audited and approved by two leading brands as certified refurbishment facility. This brand partnership serves as big credential for our businesses and serves as a validation of our business model.

We are in heart and center of global climate agenda. Reuse is the best form of recycling. Governments around the world have realized that refurbishment is the central and critical piece in e-waste management. To that end, French Government around two years ago mandated 20% consumption of refurbished devices in all the government uses.

In our country too, our Honorable Prime Minister, Shri. Narendra Modi, in Mann Ki Baat mentioned about the menace of e-waste and turning waste to wealth. We are humbled that we are able to do something to support the climate.

We also believe that our government will frame regulations in that direction to support refurbishment in the future. As and when this will come, we shall stand tall and firm to take advantage of that noble initiative.

For inclusivity, our business serves the cause of inclusivity very well. A \$1,000 device available at \$300, a INR80,000 computer available at INR24,000, leads to greater inclusivity, affordability, and scalability.

I would like to narrate a story about my visit to Kanpur a couple of years ago, when our dealer told me that a villager -- a humble villager, had come from a nearby place to buy an i7 laptop for his son who was pursuing engineering.

A typical i7 device comes very costly, and when our dealer could offer him our i7 refurbished laptop at a very affordable at one-third of the price, what he would have paid for the costly device, he was overwhelmed with joy.

It's supports cause of e-education also. In terms of scalability, I mentioned before that India sells only 15 million computers per year. When you compare that with China, the US, and Europe, our numbers are still very, very low.

Being the largest nation on the planet, and the fastest growing major economy, there is no doubt in my mind that overall computer requirement in our nation will increase, and refurbished computers will play an important role in this.

A high-end device crucial for high-end computing required for AI, etcetera at a very affordable price, will play an important role in empowering individuals, students, small businesses, large businesses alike. I do believe computer will remain primary device for productivity, creativity, and education needs.

Education today simply can't be imagined without computers. They are not a luxury, they are a necessity, and we are proud to make them accessible to more and more Indians. As it requires human effort for refurbishment to happen, it generates employment and also promotes inclusivity.

E-education is crucial for Skill India and Retail India, which will lead to our PM's vision of Viksit Bharat. Our business also reduces the effects of SMBs. This business is good as a business, good for economy, good for environment, good for employment generation, and good for inclusivity.

We have good headroom, both for bottom line and top line expansion. Since we sell our product typically at 30% price of a new computer, we have a good headroom for bottom line expansion. As a typical used phone or car are sold at 40% to 50% of price of a new phone or car.

In terms of top line, we are a small fraction of large and growing market. People are more open to using refurbished devices. People are more open to selling their existing assets when they get comfort around privacy and they are offered fair price.

Due to our channel strength around the world, we are able to offer fair price to our suppliers and we are able to secure good products, which helps in expansion of our top line. Market per se, there is more openness, more keenness, and more awareness to use refurbished devices from the climate -- climate standpoint of view, from sustainability standpoint of view, and most importantly, from the economic rationale that these devices offer.

In our goal to reach more close to corporate and government customers, we have initiated a project in India and US market. This will help us increasing our top line and bottom line in these markets and other markets too. This business is recession proof, works in both up cycle and down cycle of economy. I would like to give outlook and journey forward.

Our business has good headroom for expansion both domestically and internationally from both top line and bottom line perspective. In terms of top line, we see ourselves growing at 25% year-on-year. For bottom line, we see margin of opportunity of 75 bps to 100 bps year-on-year each year for the next few years.

Also, I am pleased to inform that our fellow Board member, Mr. Amit Midha, has been appointed as Non-Executive Director in the global Board of Lenovo. Coming on to our financial, our revenue has more than doubled, rising from INR662 crores in FY23 to INR1,411 crores in FY25.

In terms of operating scale, the number of devices refurbished grew from INR2.48 lakhs in FY23 to INR5.191 lakhs in FY25. During the same period, our customer base expanded from 1,833 to 4,154, while our procurement partner network increased from 265 to 557. International markets continue to contribute meaningfully to our business, led by strong demand in the US and Europe and growing traction in the Middle East.

Our asset-light expansion model provides us with a solid platform for sustainable, profitable and profitable growth. I would also like to summarize a few points. We are actually creating a new category in which we are making it as a proposition of refurbished computer, which look like new, work like new with warranty at very, very affordable prices, so that customers, business, all kinds of customers are very, very comfortable using them for their business and other uses. It reduces their capex and it is good for climate.

Our output is standard, input is non-linear. This allows us to give standard supply to our customers across the world, which is a very, very important and useful point. We practice buy better, refurbish better and sell better. Buy better buying from corporates, SMBs, leasing companies, aggregators, IT companies in India and international markets.

Refurbish better by having repair over replacement approach for our refurbishment, which is cost efficient and climate friendly. We follow 21 steps and we do paint work, fabrication work and LCD work to give a like new look. Sell better by using, leveraging our channel strength in India and international market, which is nurtured over years and which gives us such immense reach and gets us more close to customers as possible.

We are also long tail to long tail and we are not dependent on a particular source of supplier and a particular set of customers. We have full visibility, how our product and where our product is being sold. We are also one unique company, which is doing all three elements together in a very comprehensive way, which is procurement, refurbishment and sales.

Going more close to procurement partners, extensively refurbishing products and sales, owning the sales in India and international markets. Thank you for listening to me. I would like now to hand over to our CFO Rakesh ji, who will speak about quarterly financials.

**Rakesh Jhunjhunwala:** So, I will cover financial highlights for this quarter. In Q1 FY26 company has delivered a revenue of INR3,123 million, marking healthy 22% growth year-on-year on the back of robust demand and improved realization. Gross margin expanded to 21.4% up from 20.2% year-on-year and a sharp improvement from 15% quarter-on-quarter. This translated into a stronger operating performance with EBITDA margin at 11.3% compared to 10.8% in Q1 FY25 and 6.8% in Q4 FY25, demonstrating operating leverage.

Consequently, profitability is scaled up meaningfully with PAT at INR185 million of 55% year-on-year and 28% quarter-on-quarter and PAT margins improved to 5.94%. ROI has improved to 31% versus 29% in Q1 FY '25 and 28% in Q4 FY '25.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Pritesh from Lucky Investments. Please go ahead.

**Pritesh:** Yes. Hello, sir. So, my first question is on volume. So, in quarter one now, what kind of volumes did we do and what is the volume growth? And when you give out your 25% growth guidance, so what is the volume growth that one should look at? I think you guys did about 590 or 6 lakh laptops last year. So, what kind of number we should incrementally look at from that point of view?

**Ajay:** Hi. Thanks, Pritesh for your question. So, in quarter one, we have done a total volume of about 1,27,000-odd ICT devices. And almost 70% of this in terms of numbers was in terms of laptops and the rest in terms of other devices, other ICT devices. So, in terms of value terms, this number was 79% and 21%.

Coming to your second part of the question, in terms of last year, we did about 5,93,000-odd devices. Now, we see the average ASPs of our units ranging in the INR25,000 to INR27,000-odd. Laptops, to be specific, in this quarter, we've had laptops with an ASP of about 25,600 and for other devices about 22,000-odd.

So, we anticipate that this number in terms of numeric numbers of units is likely to be in a similar trajectory in terms of growth rate 25% to 27-odd-percent. Again, what specific breakup that may come in terms of laptops and other devices is a function of flows, right? But we don't see that as a challenge.

**Pritesh:** Okay. So, basically, this quarter also, you have grown at about 23% in volume growth. That 1,27,000 ICT devices reflect the growth, which is similar to your revenue growth, right?



**Ajay:** Yes. It is about 17%, 18%. To be specific, it is about 17-odd percent year-over-year.

**Pritesh:** Volume.

**Ajay:** Yes.

**Pritesh:** Okay. My other question is, in terms of the organization built up now, what are we doing and where are we heading in terms of laptop procurement? What are the key areas or milestones that you have to achieve or targeted for yourself? And then in terms of laptop -- sorry, not laptop, but ICT devices procurement. And similarly, what milestones or targets that you would have decided in terms of the ICT device supply channel, sales channel built up? If you could spend some time there.

**Ajay:** Yes. So, in terms of -- see, we are doing precisely what we've been doing historically, right? Only thing is that we are increasing scale, right? At the end of last year, our total profile of people on our Board was about -- one second, that number is about 1,200-odd people. So this number has increased by about almost 10% as we speak, almost 1,370-odd people. And also, from a capacity capability perspective, we are increasing our capacities out over there.

In terms of focus on ICT devices, again, the focus continues to remain on laptops and computers primarily. And we are trying to do better what we've historically been doing. So, there's no specific, specific target. We just need to enhance and enrich the penetration across markets.

When I say that, I think it's most important that we are still scratching the surface in terms of the opportunity amongst various banks in India, various IT companies in India. So, we need to penetrate more. And on that perspective, we are increasing our focus on the procurement side of it.

And of course, once we do that, of course, it goes across the three verticals, three important verticals. One is the procurement, the execution part of it, as well as the sales part of it. So, we are strengthening all these functions to achieve the growth targets that we have put ahead of us.

**Pritesh:** Scale and procurement means number of corporate increases? That's the way we should track you?

**Ajay:** Yes, you should track in terms of -- yes. So, it's not necessarily number of corporates. It could be, say, hypothetically, when I -- why I say not necessarily number of corporates, because you could have a situation where with, say, 20 corporates, if the average acquisition and in certain situations, we have had acquisitions from a single corporate ranging from 20 to 25,000 units.

So, as against, say, we have 10 corporates supplying to 2,000 units that -- so number of corporates is not most important factor. Size and scale is important, right? So, just as an example, while I -- just as an example, with one of the banks, you have acquired almost 50,000 units in the last, actually 70,000 units over two or three tranches in the last 4, 5 months, right? So, that will give you a sense of scale.

So, even if we have some of the large IT companies, some of the large private sector banks coming on board. That adds to significant size and scale. So, I would want you to look at it from that perspective.

**Pritesh:** Okay. Thank you and all the best to you, sir. Thank you.

**Sharad Khandelwal:** Thank you, Pritesh.

**Moderator:** Thank you. We have our next question from the line of from Sharad Tripathi from Caprize. Please go ahead.

**Sharad Tripathi:** Hi, sir. Can you help us understand the similar way on the, your sales side, if you can provide the breakup in terms of direct office sales through retailers and directly to the retail consumers? That is one question. And second question is, if you can talk about your backward integration strategy on the component side, and if you can help us on that side.

**Sharad Khandelwal:** Hi, this is Sharad here. I'll take this question. On the sales side, we have a good sales infrastructure in India, UAE, and the US markets. We have around 60, 70 people team in India that is being strengthened. We are hiring people to manage different regions to different channel partners, as well as corporate team and other teams in India, as well as in UAE for handling the Middle Eastern and European markets.

And the US similar exercise is there around, we have 20 people team already in the United States in Dallas, and that is also being based up as we speak. We are leveraging, increasing our footprint and enhance and enrich is our strategy. Because enhance in the number of countries and that we deal in a number of cities in India that we do business in, and also enrich in the throughput from the customer standpoint, that the similar -- same customer, we would like him to buy from us more.

We are primarily B2B, the ultimate customer. We are not in B2C or retail, because we think that we get better appreciation of our -- better appreciation price on the back of quality and warranty that we provide. Computers globally majorly are sold for business and education reasons. And we want to focus on that area primarily. B2C market, what we feel is very, very price conscious and price elastic market.

You asked a second question about the backward integration in terms of parts. If I understand you correctly, in terms of parts manufacturing, that is not in our play at this point of time, because we have good supply of parts available, Right to Repair Act enacted by various governments around the world, as well as the framework that has come in India, makes it mandatory for the OEMs and other people to have the parts available as well as to allow compatible parts to survive and thrive.

So that's not in our plan at this point of time. We have good availability of the parts and components. But a very, very important point to note is, we have repair over replacement strategy, we are able to repair almost everything that we do, which is very, very cost efficient. So we don't end up buying many parts in our business. Thank you.



- Sharad Tripathi:** So in B2B sales, how much is through channel partners and how much sales we are doing directly through the offices through our internal sales team?
- Sharad Khandelwal:** See, most of the sales is through channel partners, which we believe is very, very cost efficient and it gives us extreme high degree of reach. Computers globally are done in this manner only where major OEMs use the channel strength to reach ultimate customers.
- Having said that, we are increasing, as I mentioned also in my opening remarks, we have initiated a project in which we are going to select corporates and governments corporates in the US and Indian market.
- Channel gives us a lot of amplification and we support channel partners with superior product and warranty and that gives us a lot of reach. Channel is our ally and we feel that's the best cause of this business. Thank you.
- Sharad Tripathi:** Thank you. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Paras Chheda with Purpleone Vertex Ventures LLP. Please go ahead.
- Paras Chheda:** Yes. Thank you, sir, for this opportunity and congratulations for a strong set of results. I just wanted to understand, I joined a little bit late. In terms of guidance, you said 25%. Is that for this year or for the next couple of years, broadly foreseeable sort of growth? That's the first question.
- Sharad Khandelwal:** Yes. You want to ask the second question too?
- Paras Chheda:** Yes. So, the second question is, sir, basically we are in this replacement sort of laptops. I mean, our pricing basically will be in some form that is linked and obviously it will be linked to the new laptops. I think you can't cross probably a certain percentage of the new laptop price.
- So, how -- is there a sort of a specific linkage which can be quantified and defined that you are -- that you can't exceed X percentage of the new laptop price where the -- even if it's B2B, there will be some price sensitiveness to that. That's the second question.
- And the third is, okay, and if you can just add to that, once we are not in a B2C segment and it's price sensitive, whether it's worthwhile opening up even though a smaller share, but probably at a slightly better pricing compared to B2B and even if it's a small share, it continues? So, these are the three questions that I had, sir.
- Sharad Khandelwal:** Sir, thank you. I'll answer all these. First, the guidance of 25% at this point of time is we are getting for the current year. Future is difficult to predict, but we can always say that we are a small fraction in a very large and growing market and we have grown this business. We are very committed. This business offers a lot of potential.
- We have good headroom for both top line and bottom line expansion for many more years to come. Opportunity is very immense, but I would not like to pin any number at this point of time. As the time progresses, we should be able to give guidance around the same.

In terms of your second question, I think it was linked to the pegging of the price for the brand new computer. I also mentioned we have good headroom on the margin expansion because we are at this point of time selling at 30% price. And when we compare that with other products like phone or car, they are set at 40% to 50%.

So, we have good labor to increase this price also, the pegging of price of 30% that can go up as because there is any which way very soon...

**Paras Chheda:** Even at 40% of the new price, there will be sort of buyers and B2B will be still open as a channel. I mean...

**Sharad Khandelwal:** Yes, yes. That's what we believe in. So, it's like we have done the category creation. The product looks like new, the works like new and we also offer warranty. So, we are making it very comfortable for him to purchase the product. They have very huge savings around the same.

So, the pegging is not like fixed. It will definitely go up and it will also definitely want to be conservative, but it will also give us a lot of bottom line opportunities. And your third question was, I believe, around B2C?

**Paras Chheda:** B2C, Yes.

**Sharad Khandelwal:** Per se, when you sell B2C, the margin realization is not actually better because there are also costs associated with acquiring a B2C customers. B2C customers are difficult to acquire and difficult to retain, expensive to acquire and expensive to retail.

Primarily, what we have understood that B2B business is more remunerative in terms of our ultimate realization and margin realization. And this is what we want to focus upon in India, the Middle East and American market.

The market, since we are in different geographies and sell in 38, 39 countries now, and which count -- that count will also increase. So, now we feel that B2B business should give us enough headroom for a foreseeable future, 50%, 55% number business any which way is happening for the brand new also from business and education. It's a huge market over there only.

**Paras Chheda:** Okay. I'll come back in the queue, sir.

**Moderator:** Thank you. Our next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

**Sunil Jain:** Yes, thank you very much for this opportunity and congratulations on good numbers. Sir, my question, two part. One is on the business. As you said that you sell it mainly through channel, but your supply is more of a B2B like you're selling a bulk supply to a company or something, through the marketing responsibility of the company or it's of the channel?

**Sharad Khandelwal:** We work with the channel to reach the customer. So, we work hand-in-hand with our channel partner. Like in case of telecom companies and as well as education institutions, we jointly work with the channel partner and close transaction with the ultimate, which we think is a very, very

best win-win kind of proposition that is there. And that is how it happens in the IT industry around the world. That's the main -- that's how it works.

**Sunil Jain:** Yes. Okay. So, inventory and all is carried by you only. Channel is not carrying the inventory much?

**Sharad Khandelwal:** No, channel is carrying the inventory. We sell material to channel, they carry the inventory. We do not sell to channel if you're asking on back-to-back basis.

**Sunil Jain:** Okay. And, sir, about the...

**Sharad Khandelwal:** There's a lot of micro-distribution that also happens through channel. India, that to reach – see, SMB is 80% of GDP, I believe, in India as well as in international market. And there are a lot of business requirements which comes in small, small quantities for which we feel that it is very important for channel partners and the partners under them to keep and maintain the inventory.

**Sunil Jain:** Okay. And second on the financials. Sir, can you talk about the tax rate? Because earlier you have a lower tax rate, so maybe getting some advantage because of UAE. What could be the tax rate going forward from here?

**Ajay:** Hi, Ajay here. So, to your question on tax rate, we pay the applicable tax rate as applicable in India, and we have the benefit of zero tax for our operations which are out of the UAE facility. So, as we see, as historically we have seen, a significant part of our business gets operated out of the UAE entity.

And typically the way we see in terms of going forward as well, while both the segments and both the markets will grow, UAE will contribute to somewhere between 65% to 75% of our overall profitability and revenue.

So, to the extent of the profitability out of that, we'll have the benefit of the tax that is there, and the rest we'll have it out of India. So, it's a function of total profitability that we capture in different markets, and we'll be compliant on both sides as applicable. So, we'll have the benefit of tax as the markets grow on both sides.

**Sunil Jain:** Okay. And the historical tax rate can be a factor or no?

**Ajay:** Yes. No. So, just to give you a perspective, okay, FY '25, our tax rate was about 12% on a combined basis. The same number for first quarter is about 18%. It is same as the corresponding quarter of last year as well.

So, as I said, as volumes move, as business sees the growth in the subsequent quarter, this number will continue to vary. But I have given you an indication that how we see the composition of business. As both markets grow, we see the benefit of the higher business on the UAE side contributing to a low tax rate on a consolidated basis.

**Sunil Jain:** And the last question, sir, how much is the net debt after paying the debt from the...



- Ajay:** So, the net debt is more or less, it is not significant. So, okay, as we speak, we are still in the process of repaying our UAE debt in the UAE because of the fund movement, etcetera. But that should happen in the next week or so.
- That having said, we would have repaid about -- the India debt has been repaid about INR220-odd crores and the balance INR100-odd crores would also be paid off in the next couple of days.
- This also releases the fixed deposits or collaterals that we have had. So, to the extent of, from a net debt perspective, we would have a very negligible number with that number. I can come back to you, but it is not likely to be beyond the INR30-odd crores, INR40-odd crores.
- Sunil Jain:** Okay, sir. Thank you very much, sir.
- Moderator:** Thank you. We have our next question from the line of Jaspreet Singh from Equentis PMS. Please go ahead.
- Jaspreet Singh:** Yes, hi. I missed the EBITDA margin guidance. So, did you say 70 bps to 100 bps expansion each year for the next 3 years?
- Ajay:** Yes, that was the response.
- Jaspreet Singh:** Sorry?
- Ajay:** Yes, that was -- that's correct.
- Jaspreet Singh:** That's the EBITDA margin, right? I'm just focusing on the EBITDA margin, not net margin?
- Ajay:** So, we are focusing on the overall net margin perspective, but the gap between that is not as significant as we see that for the years going ahead. Interest costs is going to be negligible and depreciation is negligible given that we are in a satellite business.
- Jaspreet Singh:** And that's largely coming from operating leverage because you are almost doubling your revenue in 3 years. So, that's will be a function of that assuming gross margins remains the same?
- Ajay:** Not necessarily operating leverage. It's a combination of operating leverage plus our ability to take a better price as we penetrate in markets. Our ability to take better price is what it's getting driven out of.
- Jaspreet Singh:** Understood. And just to understand the industry within India -- probably within India for now, because probably it might be very big. How big is the industry and what's the market share -- again, a ballpark number, whatever you can help understand?
- Sharad Khandelwal:** Sorry, there's a lot of echo in your voice. Could you repeat your question?
- Jaspreet Singh:** Yes, I was saying in terms of market share and the size of the industry within India, I understand there's a big...



**Moderator:** Sorry to interrupt, Jaspreet, but your line seems to be breaking up in between. You may need to re-ask your question.

**Jaspreet Singh:** Is it better?

**Moderator:** It sounds better. Please go ahead.

**Jaspreet Singh:** I was saying the size of the industry within India and our market share -- approximate market share within the organized pie?

**Ajay:** So, I think it's important to look at, let us say, FY '24. The organized market was just about 11% of the total market, which was a \$1 billion market. So, within that segment, if we just look at India or our contribution from India, we may be just about sub 10% of the number, but as mentioned by our Founder, Sharad ji, this market is something which is expanding rapidly. We see this market based on industry estimates and reports to triple in the next 3 years to 4 years. And we continue to be at the forefront in terms of market share. Despite being in single-digit market share, we are the largest by far in the segment.

**Jaspreet Singh:** All right. Okay. Thank you so much for helping. All the best.

**Moderator:** Thank you. Our next question is from Hiten Boricha from Sequent Investments. Please go ahead.

**Hiten Boricha:** Thanks for the opportunity, sir. I have a couple of questions. The first question is on the interest cost. You mentioned we are going to reduce the debt from the IPO proceeds. So, if you can give what will be our debt by end of this year and what will be the finance cost for this year?

**Ajay:** So, I would like to highlight the fact that we are sitting in the month of August. Our IPO got completed at the end of July and immediately thereafter we paid off our India debt. The UAE debt, as I said, will get done in the next couple of days. So, a simple way of looking at that is last year, we had a total interest finance expense of about INR38-odd crores.

So, just look at it from a proportionality perspective, we will definitely have for the 7 odd months of repayment, we'll have a saving of somewhere between INR22 crores to INR23 crores odd in terms of interest savings. So you should look at it on those lines.

**Hiten Boricha:** Okay. So, around INR20-odd crores savings this year. Okay. Understood.

**Ajay:** Correct.

**Hiten Boricha:** Okay. And my second question is on the utilization level side. So, you mentioned we are going to see around 20%, 25% volume growth this year. So, on the current gross block, what can be our peak revenue, sir?

**Ajay:** See, I don't think gross block is a good way of looking at it. Our business is extremely asset-light.

**Hiten Boricha:** Okay.

- Ajay:** So, our ability to expand capacities, the cost of expanding these capacities and capabilities is not a significant, significant cost. This is something that can be done in the next expansion of capacities can be done in two, three months time. And it's very modular in nature. So, capacity wise, capacity is not a constraint. The opportunity and encashing the opportunity is the focus. Capacity, we don't see that as a constraint. As I said...
- Hiten Boricha:** If you can -- yes, sir. Please go ahead, sir.
- Ajay:** As I said, we've expanded our workforce from a total of about 1,200 to almost 1,350-odd in the last couple of months. So, we'll continue to do that. And why would we do that is because the opportunity is showing us the way forward and we'll continue to focus on those things.
- Hiten Boricha:** Okay. So, just to understand it more clearly, so what is the cost capex we need to put to one line and what can be revenue from that line?
- Ajay:** Okay. So, I would put it like this that for the total capacities that we have in place, the total capex that has been done on the facilities, because all our facilities are rented facilities.
- Hiten Boricha:** Okay.
- Ajay:** Yes. There is no heavy equipment or heavy machinery involved, so there's no capex of that nature. For the total capacity that we've put in place, our total outflow on that is somewhere around maybe INR15-odd crores and all on the outer side.
- Hiten Boricha:** Okay.
- Ajay:** So, that's not a constraint. So, adding a line...
- Moderator:** Sorry to interrupt, Hiten.
- Ajay:** Sorry, I'll just conclude the response part of it, thereafter, we can move to the next question. So, adding an incremental line is not a significant cost and how much does it add? I think Sharad ji gave the guidance in terms of where we see the number. So, we don't see that as a constraint in terms of execution. So, we'll focus on execution and the rest of it will follow.
- Hiten Boricha:** Understood. I'll join back in the queue.
- Moderator:** Thank you. Our next question is from the line of Ashu Jain, an Individual Investor. Please go ahead.
- Ashu Jain:** Congratulations for a good number. My first question is, can you enlighten the sales number of quarter 2 for 2024?
- Ajay:** No, I don't think we will be giving quarterly guidance. We will continue to focus on yearly guidance and we prefer to keep it that way.
- Ashu Jain:** Okay. My second question is, which quarter is best quarter can you give?





- Ajay:** Q4.
- Ashu Jain:** Okay. Thank you.
- Ajay:** But the last quarter is always the best quarter, primarily because of two things. One is year end, festive season and as well as yearend in various parts of the world across geography, right. December yearend leads to -- and we have seen this across most businesses and the same applies to our business as well.
- Ashu Jain:** Yes. Okay. Thank you so much, sir.
- Moderator:** Thank you. The next question comes from the line of Pritesh from Lucky Investments. Please go ahead.
- Pritesh:** Can you give us the split of debt? So, basically, how much debt still stays in Dubai, I mean, Middle East balance sheet?
- Ajay:** Just give us a second. We will pull that out.
- Pritesh:** Yes. And what will be your net debt number? So, after the IPO, now what should be the net debt number? So, there has to be another income element as well, which we have to consider?
- Ajay:** No, other income is not likely to be there. So, as I said, our repayment is about INR320-odd crores. The release of collateral is going to be about somewhere between, say, INR50 crores to INR60-odd crores. So, we will have a total release of about INR400-odd crores. Our net debt number was about the same. So, we will still need to have some line because -- and this line is likely to be not significant.
- So, we will need to keep some lines open. And to your question as to -- and if you look at the primary fundraiser that was done, it was INR400-odd crores. Net of expenses, that number is likely to be somewhere around INR360 crores or 75 -- INR70-odd crores, if I'm not wrong. So, we don't see -- if you're looking at from the perspective that is there, other income likely to come out of the cash flow that remains answerable.
- Pritesh:** So, then post the IPO, your net -- so, I still didn't get it. What should be -- what will be the net debt number? Because you initially mentioned to one of the participants, right? There will be debt in Dubai and which will be paid off over here. And debt of India will be paid off. So, then what is the final net debt number?
- Sharad Khandelwal:** Okay. So, as I said, by the end of year -- so, as of now, the net debt number is negligible or zero. The way we see the growth, we may need to have INR30 crores-INR40 odd crores of net debt coming towards the end of the year as the business grows. So, as of now, the net debt number is more or less nil.
- Pritesh:** Okay. So, basically, over the next two quarters, we will see an interest cost which will be zero?
- Ajay:** Sorry, could you repeat that, Pritesh?



- Pritesh:** So, when it's over the next half, we will actually see the interest cost going down to zero. We will have no interest cost because whatever you're reporting INR10 crores will go away. That's how we should interpret?
- Ajay:** Yes, interest cost is likely to go down significantly. And I would say it will be significantly reduced. It may not go down to zero as I said. Towards the end of the year, we may need to have a little bit of light. But it's not likely to be anything meaningful is what I would say.
- Moderator:** Thank you. Our next question comes from the line of Shreyansh Talesara with Equentis Wealth Advisors. Please go ahead.
- Shreyansh Talesara:** Yes, thank you for the opportunity. So, just if I got the understanding right, I'm sorry if I'm being repetitive. When you say when you can expand, expansion is not really a problem. What are the incremental costs that we are likely to incur? Let's say from the given capacity, we can have some x percentage of revenue.
- But let's say going ahead, if we were to assume that we keep on growing at 25% run rate, what are the incremental costs that we are likely to incur? Is this that the employee cost is the only cost that is going to be a significant incremental cost that we are likely to incur or how is it? I just wanted to get this understanding correct?
- Ajay:** Yes, sure. So, just to address this straight, as we anticipate the growth of about 25% year-over-year, okay. Over the next 2 to 3 years, the total incremental cost that we see for setting up the incremental facility to cater towards this growth is not likely to be beyond INR15 crores.
- Shreyansh Talesara:** Sorry, sorry, could you repeat the last line again? Sorry, sir.
- Ajay:** It's not likely to be beyond INR15 crores, 1-5. Okay, to address the growth of -- yes, incremental cost to address the growth of 25% year-over-year, even if it wasn't for 25% year-over-year for the next couple of years.
- Shreyansh Talesara:** So, INR15 crores incremental cost for next couple of years, you're saying that is sufficient to deliver 25% top line growth for next 2 years?
- Ajay:** Correct. That's right.
- Shreyansh Talesara:** Okay. And this cost is most likely no employee cost head, right?
- Ajay:** It is basically for basic setup costs. It could be -- because as I said, you need to have table spaces, furniture, fixtures, light equipment, etcetera for repairs and so on and so forth. So, it's not, as I said no...
- Shreyansh Talesara:** Total combined cost, got it. Got it. Okay.
- Ajay:** Yes, yes, yes.
- Shreyansh Talesara:** Got it, got it. Okay.

**Moderator:** Thank you. Our next question comes from the line of Paras Chheda with Purpleone Vertex Ventures LLP. Please go ahead.

**Paras Chheda:** Thank you, sir. So, just wanted to, I mean, in a different way, my sense is that working capital will probably constrain the scale of our operations, maybe. Capex is not that big a factor here. So without raising further equity and there is leverage capacity, of course, that can build up, what kind of peak revenue can we hit with this equity and certain level of debt that can again go up, scale up in the next couple of years? So, what kind of revenue can be hit with this, without raising further equity?

**Ajay:** Yes. So, I think you addressed the answer as well to some extent. So, as I said, at the beginning of, at the end of last year, I didn't, but at the beginning of last year, we had a total equity of about INR225-odd crores, right? And a debt of about, say, INR400-odd crores in all. Now, with the INR365 crores, INR370-odd crores of equity, net equity post expenses, we have a total equity base of about, say, sub INR600-odd crores, right?

Now, our ability and continued growth will be driven by our ability to lever that up going forward. So, with the INR225-odd crores of equity base, we had a business of about INR1,400-odd crores last year. I would leave the rest of it to your judgment as to where the equity base of INR600-odd crores could take us to. And of course, there will be ongoing profitability that will come year-over-year in terms of incremental...

**Paras Chheda:** Yes, Yes. We are not even factoring, yes. So, I mean, broadly, does that imply more than 3x revenue from here before we have to think anything on the equity base, right?

**Sharad Khandelwal:** We don't see the need on an immediate basis. But as I said, the opportunity, the equity has given us a good headroom of growth without the need for any say, significant or any equity raised over the next foreseeable future, that's what I would say.

**Paras Chheda:** Right. And, sir, what barriers to entry, because given that capacity, at least you can add capacity in a couple of months timeframe and so can others maybe. So, what are the barriers to entry in this business in terms of your defendability of the scale of the business? Because there are, of course, numerous unorganized players as well competing alongside the organized players so what gives us the right to win here?

**Sharad Khandelwal:** I'll take this question. Thank you. It's a very relevant question. Barriers to entry, obviously, anybody can do the business. But there are a lot of things that we do are very unique. We are present across full value chain. We buy from -- we are in the procurement side as deep as possible in multiple geography buying from corporates, IT asset disposition companies, leasing companies, aggregators in Indian market.

Then we have five refurbishment facilities, we are State-of-the-Art, fully integrated, follow 21 step process, do everything, fabrication, paint, LCD work, cost efficient repair over replacement approach, which is to give them -- make them functionally and cosmetically like new and then we are multi-country. We are selling in 39 countries. We are not limited to geography.

We are in high income countries also. We are Indian multinational, truly Indian multinational, originated from India, but selling in the US, European, Middle Eastern and 38 countries and India also very, very deep. We have good channel strength from 30 years of our experience. We have good talent pool.

So doing everything, all these things put together, meaning it's not right for me to say that there can -- nobody else can do, but it will be difficult for people to replicate and it serves a very high barriers to entry. And we have to keep doing the good work. We have to keep working on our margin expansion and sales expansion strategy and that's why we are fully committed to this business.

We have good execution team. Our senior leadership team has remained with us, very committed and loyal team. I think all these things put together, I think that gives us very, very good, very good edge.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the management for any closing remarks.

**Sharad Khandelwal:** Yes, thank you. Also, I'd like to make a statement on US tariff, which I was expecting that question would come, but since it has not come, I would like to take this opportunity to address this question head on.

Our exports, we do not feel any impact of any tariff -- the US tariff, because our exports to the US are from UAE. Further, there is a significant exemption in HSN 8471 that relates to computers and other electronic items.

Since we import significantly from the US and export back the same product post refurbishment, impact on duty is very, very negligible because the goods that are originated in the US and returned after refurbishment are exempt from import duty, except to the tune-up labor cost portion, which is very nominal.

Further, we have significant cost and skillset advantage when we do it in UAE. The US is a very high cost economy and the skillset factor is also very, very important. That puts us in definitive advantage. Also, the refurbished products are pegged against brand new. Any tariff impact will apply uniformly on both. So hence, the value proposition of refurbished product is enhanced. It doesn't get negatively impacted.

Yes, so that's on this thing. And our business, as I said, if any downward trend in US economy comes, which -- then also the business is recession-proof, works in both upcycle and down-cycle of economy.

Our journey has just started. I would like to thank all the participants for joining this call. Our journey has just started, and I believe in strong potential in this business, which is a win-win for all and has scope for both front-end and back-end efficiencies. Thank you all very much.

**Moderator:** Thank you. On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.