

21st November, 2022

To,
The Secretary,
Listing Department
BSE Limited (SME)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai - 400001.
Maharashtra, India.

Scrip Code: 543615
Trading Symbol: SRSOLTD

Subject: Transcript of conference call with Investors & Analysts held on November 17th, 2022.

Dear Madam/Sir(s),

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find attached the transcript of the aforesaid Conference Call held on November 17th, 2022 at 5 PM.

Kindly take the above information on records.

Thanking you

Yours faithfully,

For Silicon Rental Solutions Limited

HIMANSHI Digitally signed
by HIMANSHI
I TIWARI TIWARI
Date: 2022.11.21
17:30:12 +05'30'

Himanshi Tiwari
Company Secretary & Compliance Officer
M. No. A65997



“Silicon Rental Solutions Limited
Q2 FY ‘23 Earnings Conference Call”
November 17, 2022



**MANAGEMENT: MR. SANJAY MOTIANI – CHAIRMAN AND MANAGING
DIRECTOR – SILICON RENTAL SOLUTIONS LIMITED
MRS. KANCHAN MOTIANI – DIRECTOR AND CHIEF
FINANCIAL OFFICER – SILICON RENTAL SOLUTIONS
LIMITED
MR. SHAILESH NARANG – FINANCE HEAD –
SILICON RENTAL SOLUTIONS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Silicon Rental Solutions Limited, H1 FY '23 Earnings Conference Call hosted by HEM Securities. As a reminder, all participant lines will be in the listen-only mode, and anyone who wishes to ask a question may enter star and one on their touchtone phone. To remove yourself from the queue, please enter star and two. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramadhin Rane from Hem Securities. Thank you, and over to you, sir.

Ramadhin Rane: Thank you very much, Faizal. Good evening, ladies and gentlemen. Thank you for joining the Silicon Rental Solutions Limited, H1 FY '23 Earnings Conference Call. Joining us on the call today are the senior members of the management team, Mr. Sanjay Motiani, Chairman and Managing Director, Mrs. Kanchan Motiani, Director and CFO, and Mr. Shailesh Narang, Finance Head. We will commence the call with the opening thoughts from the management team. Post which we will open the forum for Q&A session where the management will be glad to respond to any queries that you may have.

At this point, I would like to add that some of the statements made or discussed on the conference call may be forward-looking in nature, and the actual results may vary from these forward-looking statements. I would now like to hand over the call to Mr. Sanjay Motiani to commence by sharing his thoughts on the performance and the strategic progress made by the company. Post Mr. Sanjay, Ms. Kanchan Motiani will share details on the H1 FY '23 financial performance of the company. Thank you, and over to you, sir.

Sanjay Motiani: Thank you Rane, dear friends, I'm Sanjay Motiani, Managing Director and Chairman of Silicon Rental Solutions Limited. Thank you, investors and all stakeholders present for attending this conference and also for the unprecedented support turned to us during our growth journey. As you all know, we got listed on the Bombay Stock Exchange, SME platform on 10th October. And we are delighted to be here before you all to discuss the financial position of the company for the period April '22 to September '22 and the journey ahead for the next six months and in the next financial year.

This year has been a period for growth, and we have extended our base to state where we had less presence. The decision to lift ourselves was one of the well thought of decisions, and we are sure to reap the benefits of the same in the coming years. We believe in the philosophy of inclusive growth and we want to grow taking our shareholders together with us. We want to ensure that we uphold the past best hood on us by our shareholders. We have to ensure that their hard-earned money is well taken care of and in safe hands with us. We are accountable to you all, and we assure you that we will not let you down.

Silicon Rental Solutions Limited has been in the IT rental business for more than delineate coking products and high end servers, networking products and CCTV products on a rental basis pan-India. Our USPs that we provide end-to-end solution to our clients, and we provide standby

laptop, desktop to our clients who has to maintain a near 100% uptime. We had the first ISO 9001 2015 company in this field, and we are the first company to be listed on the BSE SME platform in this field. We provide engineers free of cost for any client having more than 200 systems. We take care of the IT department, the logistics and the service and support at all locations pan-India. This helps companies to mitigate the expenses and be free to concentrate on their core business and leave these non-profitable departments with depreciating assets to Silicon to handle.

Now our business stands on the next six to 12 months. We plan to add minimum 30 to 50 clients in the next coming six months to 12 months. We are in negotiations with a number of MNCs, and we are sure to close some of the very good orders in the near future. We also plan to open at least four to five new offices pan-India in addition to the ones we already have operational, and this will help us expand and generate more revenue.

We purchased equipment in large quantities, and this enables us to negotiate best rate when we procure them from our channel partners. We also have our inventory across the country. This helps us working on very competitive prices and keep our costs down. The other advantage is that as we scale up, our expenses increased only marginally. This helps us in improving our bottom line.

We have one-to-one connect with all our clients, help us to keep a relation healthy and long term. So looking forward to a big growth and big strides in our renting business in the coming years, let's grow together. Now I hand over the mic to Kanchan Motiani to give the details on the financials.

Kanchan Motiani:

[Technical Difficulty] Shareholders for having trust in our company. Does this give us synopsis half of the current financial year. When we compare the financial position of the company for the first half of current financial year, our top line has increased by 66% from INR 1,057 lakhs to INR 1759 lakhs. The operating margins have increased from 41.80% to 43.58%. The company has earned cash profit of INR 1229 lakh as compared to INR 708 lakhs in the corresponding period of the last financial year. The PAT margins have increased from 30.56% to 30.82%. We have demonstrated that we have maintained the profitability. Even with the 66% growth in revenue, we strongly believe that there's a huge potential in the market.

Comparing this six-month financial with a 12-month period of FY '21, FY '22 in a straight-line manner will not be correct because the method of charging the debt assets was changed from WDV method to straight-line method. As a result of the change, the brought forward depreciation amount was reduced some of INR 381 lakhs. And depreciation for financial year 2021 to 2022 was reduced by some of INR 252 lakhs, and profit for the year ending 31 March '22, increased by some of INR 634 lakhs. So effectively, if we remove the carry-forward depreciation effect, the actual profit for the FY '21, FY'22 was INR 639.60 lakhs against a sale of INR 2,460 lakhs.

In the first six months of the current year, we have achieved 72% of the entire year sales and 85% of the last year's profit post-tax profit. If we assume that issued equity in the first half of the last financial year, the same as current period. The earnings per share has increased from INR 4.28 to INR 7.17. We have added 25 new customers during the last six months. Looking at the first months, we are very much on the path to cross INR 35 crores to INR 36 crores top line for the entire year, which is nearly a 50% jump as compared to last year.

Similarly, we are hoping to touch post-tax figures of INR 11 crores to INR 12 crores for the entire year ending March 2023. The IPO proceeds are being utilized for the purpose for which they were mentioned in the DRHP. We have already paid a liability of INR 850 lakhs, and we are looking on to save on interest [Technical Difficulty 0:08:32] on a yearly basis.

Moderator: Sorry to interrupt you ma'am, the audio is breaking from your line.

Kanchan Motiani: Similarly, we are hoping to touch post tax figure of INR 11 crores to INR 12 crores for the entire year ending March 2023. The IPO proceeds are being utilized for the purpose of which they were mentioned in the DRHP. We have already paid off the bank liability of INR 850 lakhs, and we are hoping on to save on interest cost of at least INR 50 to INR 55 lakhs on a yearly basis. Thank you so much.

Moderator: The first question is from the line of Rajesh Singla from Societe Generale.

Rajesh Singla: Congratulations on a very good set of number. My only question to you is the scalability of your operation. And currently, we are mostly in the computer hardware renting solutions. So maybe in the coming years, can we think of like adding more products, not from the computer hardware, but maybe from the white goods sector? And also, if you can guide about some growth potential for the next year as well, that will be helpful?

Sanjay Motiani: I think I did answer the growth potential thing in my listing. Yes, we are planning quite a few things to be added to our list of our footprint. And so basically, we are looking at a lot of new existing ventures and new tie-ups. But then this, I cannot disclose, yes, we have quite a few things in store, which we are planning to add to our list. And this will be, in due course, we will be getting back to you and we'll definitely give the details very soon.

Rajesh Singla: So maybe just, I know because see, you're...

Sanjay Motiani: Vice versa, something we can do, but we are still not looking at those. We are looking at something much bigger and better, which will be, in due course, we will come out with the details.

Rajesh Singla: Because your business is highly scalable, you can add any kind of product or anything, which is used in the corporate world or anywhere else in the consumer market. So I think the scalability is quite significant in terms of the way you can grow from here, so maybe I missed your initial remarks, so maybe if you can just help me with that, like what kind of growth we could see in

FY '24 because FY '23 is like half of it is already over. So maybe next year growth, if you can provide some insight into that?

Sanjay Motiani: Yes. So you can see in the financial year '23 also in the six months, we've increased our turnover by 70%. Our profits have increased by almost 50%. So this is going to continue for this year. And next year, again, if you think our marketing plan, everything is just being finalized. So this has been an organic growth. So we just about going to launch ourselves. And if you don't know whether you saw an interview on CNBC. So even that simple interview has got a satisfactory inquiries in the last two hours. So our growth has been organic, and this is how we've grown organically over the last years, but now have been on the fund put on the IPO...

Moderator: Sorry, to interrupt you sir, the audio is breaking from your line, sir.

Sanjay Motiani: So basically, I was saying that we've grown organically and now we are going with a proper marketing plan and with a lot of investment in marketing and creating awareness that there is something like this, which is available for people who are wanting to grow. So it's just the beginning. And I think a growth of 50% to 80% is the minimum we can look at for the next few years?

Rajesh Singla: 50% minimum growth, which...

Sanjay Motiani: Minimum. I'm saying minimum to 50% to 80% in the next two years.

Rajesh Singla: And it seems like your business is like asset heavy, like you need equipment to land. So what kind of like cash generation potential do we see in the business? And will you require more debt? Like can you pile on more debt? And can you like, how can you fund your like significant expansion going forward in the future?

Sanjay Motiani: See, I think we have a very good revenue model and we are already generating a very good revenue, which actually take care of our expansion. In addition, we have these funds, which we have got from this IPO that is there with us, which is surplus and unused as of now. So our own monthly collection that we have is pretty substantial. And you can see when we're touching a figure of INR 36 crores that we have a INR 3 crores kind of a input coming in every month. In addition, we had the IPO funds that we have still not used. And as we grow our monthly recovery will also increase. So that is itself a very good growth, the thing that we have potential that we have. Mr. Narang will also want to add some points to it.

Management: I'll just add a few things to it. At the moment, you mentioned about white goods, the pipeline that we have as far as computer and computer accessories are concerned, is not yet exhausted. We have a tremendous inquiries. We are looking at various orders at 200, 250 computers per company. The number that we are getting is much very large. So we are actually going to look at various ways in meeting up that demand.

We are also looking at various other options to create stream where we are going asset-light. We -- I understand and you rightly get that rather you rightly got in that this particular business that

we are doing is comparatively asset heavy, that we have to procure the asset first and then rent it out to people. You are perfectly right in that. So we are looking at certain places where it is possible for us to rent the equipment, which we are going to onward rent outside looking at those models, we are looking at how can we expand the market in a way that we are able to reach larger and bigger customers. So that is all that we are looking at. And we are looking at a very exciting future.

Rajesh Singla:

And maybe like in terms of the business prospects. So what is the motivation for a large company like Microsoft or any other big names which you have your client to rent like maybe laptops or computers like when they can afford to buy these kind of equipment's. So what is the motivation behind that?

Sanjay Motiani:

Service is a very big factor. There's a pilferage issue that happens with big companies, which is one more big factor. Then with us, we take care of the complete logistics, which is not easy for them, for a company to maintain, say, X computers, they have fixed assets, fixed expenses -- and the salaries are very high. So when we come into the picture, we take care of everything. So we provide the computers, we give the backup, we insure 100% uptime because we give standbys for every computer. So we take of the logistics. So all those things are taken care of by us. So when they look at the full package, it really makes sense.

So that is why people have started. It's -- for those people, it not -- may not be the capital, which is important to say. But the headache of maintaining logistics service and especially when this work from home culture is going on. So for them to deploy those 1,000 and 5,000 laptops and 5,000 different your locations is not a small task. -- whereas because we are -- we have a mastery over this. We can take care of it, a company which will -- I'll just give a simple example. Logistics, sending a laptop from here to Delhi for them probably with the top brand will cost them probably 2,500, which we do it in INR 900. So effectively, they're going to save a lot of money in these things.

Rajesh Singla:

So do you have your own logistic supply chain or you...

Sanjay Motiani:

No. But we have we have what you call, we look at not the top most, but because our quantity is huge, we get very, very good rates.

Rajesh Singla:

And I think there was some reservation also that the business is highly competitive in nature. You have so many people in this unorganized sector. So any insight which you would like to share in terms of the competitiveness...

Sanjay Motiani:

Where is the question? I mean you tell me and how many people can afford to buy 100 laptops at one shot and just -- and expect a return of just 3% every month, whatever, 3% to 4% every month and provide service. So where will they be to survive what competition is there? Is at a lower level where people need five laptops and 10 laptops at such -- so when you're looking at a bigger number and believe me, we have quantities to the tune of 2,500 machines that's one location, one company. So how many people can actually afford to scale up to that level

- Moderator:** The next question is from the line of Nilesh Karani from Magnum Equity
- Nilesh Karani:** A good set of numbers.
- Sanjay Motiani:** Thank you -- and it's consistent. So you cannot tell me we just bought them out from somewhere -- I said these are not set of numbers that have just cropped up and we've been doing this for years and years.
- Nilesh Karani:** Yes. Correct. I know that. So just to understand the -- I heard you paid INR 850 per loan. That is what I understood, correct?
- Sanjay Motiani:** Yes.
- Nilesh Karani:** So now what is that part of loan remaining or you are fully paid up or?
- Sanjay Motiani:** Yes. We've paid up the full loan that was there as of -- I mean, during the time of the IPO basically.
- Nilesh Karani:** So now there is basically the debt actually.
- Sanjay Motiani:** Yes, you can say that. A small sum you're there. But yes, more or less, we are debt free.
- Nilesh Karani:** And sir, another question is how concentrated our business is, like our top clients and how much concentration is there or we are widely like...
- Sanjay Motiani:** No, we are very widely spread out basically. We don't have a client which is more than 5% of the business. So we have 400 different clients, and none other clients cater to more than 5% to 7% of the total turnover.
- Moderator:** The next question is from the line of Shubham Jain, an Individual Investor.
- Shubham Jain:** First of all congratulation for good set of number.
- Sanjay Motiani:** Thank you. I hope you'll invest more with us now.
- Shubham Jain:** Yes, definitely sir. Sir, I just want a simple question, why should customers select Silicon, might be in our market, some other organized vendors too. So why should a customer like Silicon?
- Sanjay Motiani:** See, there will always be competition, first thing. Second thing, we are lucky that we're in a field where competition is less, because it's a very investment-driven business. So the competition is less. Not many people can invest the kind of numbers that we do and then wait for the business to give you returns. So the competition. So now the other point is that why they should come to us, is because we are a 25-year-old company. Our rental business is -- so basically, we're in the service industry from 25 years. So our services are **Technical Difficulty** Just can give it on rent, but nobody has the capacity to give the service that also in pan India, the way we do. So we are present in quite a few cities. And so for any big company, they need a support system, which will be robust and it will be -- they shouldn't have any issues basically. They shouldn't have any

complaints. So that we can cater to because we have a 25-year service experience and be at present pan-India. So those are some of the main reasons that then, of course, our technical background is very good. So we are from the technical background. I'm myself an engineer. So all these things help in getting good clients and getting good sales.

Shubham Jain: Sir, my other question is, as I have seen in the balance sheet. So it's just like our cash has been reduced substantially September '22 versus March '22, sir, any other reason, in particular, we bought some...

Sanjay Motiani: What reduce?

Shubham Jain: Sir, cash balance. Why are the cash has reduced substantially in September 2022 versus March 2022.

Sanjay Motiani: See sir, cash basically has reduced because this is a cyclical business. It keeps on coming and going. Because of increase in sales, there is a small amount of increase in debtors, which is understandable. Further, we have to keep on investing in our assets. As you can see that there is a growth in the tangible assets also that we have. So typically, this is what happens is that there are times where we get large orders, and those large orders have to be catered to. As you are aware that we don't cater to individuals who order one or two or four laptops, we go for a large number of those types of things? And because of that, sometimes, we get a time where we have to buy maybe 200 laptops together or 250 laptops together. And then they take a few days maybe to get ultimately send to the location where the rental starts. So all that gives a time where sometimes the cash is up, sometimes the cash is down. So it's a cyclical process and depending upon the order position and delivery position.

Moderator: The next question is from the line of Utsav Adesara from Nilesh Parekh.

Utsav Adesara: Sir, can I speak in Hindi?

Sanjay Motiani: Yes.

Utsav Adesara: My question is that, what madam told last year there was depreciation of INR 9 crores in RSP, now that the set of result showing as per end of FY '22, INR 5.2 crores. So what the reason of difference in RSP and result?

Sanjay Motiani: Sir, when we come forward for public issue, that time we change the method of depreciation, earlier we use to do it in written-down value method and then we change it to straight line method. Because of that change, as madam CFO informed, because of change, you see the carry forward depreciation and during the year depreciation also reduced, that's why the profit is increased to INR 6 crores in last year. On a comparable basis, you noticed depreciation has been changed, but otherwise those results are comparable and the reason is the change in method of depreciation.

Utsav Adesara: But RSP of INR 7.5 crores profit is after tax that should be real in manner?

Sanjay Motiani: Yes.

Utsav Adesara: And in comparison to the half yearly INR 5.5 crores around received. So in total for full year is INR 12 crores including previous year, according to you.

Sanjay Motiani: Yes, correct.

Utsav Adesara: And for next four to five years of time frame you are assuming about 60% to 80% growth?

Sanjay Motiani: Yes, we are assuming it. Because we are expecting robust growth in our order and we are sure that we will be able to maintain this bottom line.

Utsav Adesara: So will it be carry on for next four to five years?

Sanjay Motiani: According to us it will be. Because we are looking at this business in a very bullish manner. We have huge plans, very, very good plans for the future. If your support and assistance continues it will remain the same.

Utsav Adesara: Yes, your company is huge and listing started [inaudible 0:27:29] price, but today it's double.

Moderator: The next question is from the line of Shivani Mittal an Individual Investor.

Shivani Mittal: So most of my have been answered. Just one thing can I have some colour on your customer acquisition strategy? And what is the turnaround time for converting leads into clients?

Sanjay Motiani: You're talking about acquisition strategy and...

Shivani Mittal: Turnaround time?

Sanjay Motiani: Turnaround time ma'am.

Shivani Mittal: I've been converting leads into clients like?

Sanjay Motiani: That cannot be fixed because Clients can -- depending on when the project is starting, it could be six months in advance, they keep floating the inquiry? And [inaudible 0:28:43]

Moderator: Sir the audio is breaking

Sanjay Motiani: Actually clients -- float the inquiry six months in advance via notes of finalizing the place, the location and everything else. And sometimes, we get orders overnight where people want 100 machines, they want machines to be deployed within a day or two max. So there is no fixed this thing, how fast the orders close or...

Management: Madam, we are looking forward, we have got various inquiries now at least 25 inquiries in the pipeline since the CNBC interview was aired on the television today. So we are -- I hope we are going to convert most of it in the next 15 days or so.

- Shivani Mittal:** And sir, one question, if you could like throw some colour on what to be a steady paid net profit margin...
- Sanjay Motiani:** What will be the net profit?
- Shivani Mittal:** Net profit margin on a full year basis or some steady paid rate, whatever you could provide?
- Sanjay Motiani:** The PAT margins are in the region of 30%, as you must have seen, in spite of the growth in operating margins, our PAT margins are more or less at 30%, 30.82%. At the moment, we expect it to continue at this rate. What is more important is that these PAT margins have been achieved in spite of a 65% growth in turnover. So that is something which is there. Normally, you would be aware that growth in turnover is there, it also is at a cost of reduced margin. In our particular case, we have not faced that. Going forward, looking at the market depth, I am sure that we will be able to clock this kind of 30% plus post-tax for times to come. In the horizon that I can see the visibility that I have, say, 18 months, 24 months period, I don't think this is going to be impacted. I cannot, of course, say anything for four years, five years down the line, a lot of things can change over a period. But at where we are, we are looking at a very glorious future.
- Moderator:** The current participant has left the question queue. We'll move on to the next question from the line of Siddharth Agarwal from Prudent Value Partners.
- Siddharth Agarwal:** Sir, I just went through your balance sheet. And I think for this year on average, we have roughly INR 30 crores worth of assets. I think the March 22 balance sheet had INR 24 crores assets and September balance sheet is INR 36 crores. So roughly, the average would be around INR 30 crores on an average basis the last six months, right, these company, and I'm assuming all these effects are the equipments which we are renting out. Is there any other sizable asset here, which is other than the equipment here in this balance sheet?.
- Sanjay Motiani:** This could be partly about 10% of some other non rental asset would be motor car or something like that. But other than that, most of them are rentable asset.
- Siddharth Agarwal:** Rental assets. So as you mainly we had a INR 32 crores, INR 33 crores worth of rental assets on those subjects, we were able to get a rental income of INR 17 crores for the first six-month period, Right. Is that correct?
- Sanjay Motiani:** Yes
- Siddharth Agarwal:** So that amounts to roughly almost 100% yield. So is that the company is paying out the entire cost of the laptop in the first year as a rental...
- Sanjay Motiani:** Can you repeat this last question, once again, didn't catch you.
- Siddharth Agarwal:** So my question is we had INR 32 crore worth of assets, which we... Yes. And for the first 6 months, we had INR 17 crores of revenue, which I'm assuming is just rental revenue, right? It is, yes. So INR 17 crores on a 6 months, which means for the same asset, if it was rented out for

the entire year, we would have earned roughly INR 33 crores, INR 34 crores of rental income, right?

Sanjay Motiani: Right -- we're doubling it.

Siddharth Agarwal: So which means on an asset base of INR 32 crores, rental income is INR 34 crores for the year. One who is using the product basically paying out the entire cost of the equipment in the first year itself as a rent. Is that how this industry work?

Sanjay Motiani: No, sir. It doesn't work like this. What happens is that the figure of INR 34 crores or INR 32 crores, which you can see in the balance sheet as far as assets are concerned, is the written down value. So you don't have a computer valued at INR 100 there. It is -- if you take -- even if I take the straight line method and I divide the depreciation over a period of time, the value of the asset, which is there in my balance sheet is greatly reduced. So if you say what is the original cost of that particular asset, it would be perhaps INR 100 crores plus. So it is not correct to say that if I have INR 100 crores asset, whether the -- my customer is paying me INR 100 in the year itself. No. I really hope it was like that. It isn't the figure number...

Management: By month in addition, so that in addition.

Sanjay Motiani: So what we have is after six years of being -- I mean, having this company, this is the net WDV of the asset. And that is why you will be able to see that figure more or less matching. And basically, in this particular industry, what happens is that most of the computers, they either sometimes get phased out or they continue to be made usable. So the advantage or you can say the kicker comes at a later stage, where the rental keeps on coming and the depreciation is has fallen down to a large extent. So that's how it works.

Siddharth Agarwal: I understood -- so what is a useful life that we use currently for depreciation purpose? Is it like a three-year period? Or what is the line that we depreciate our come...

Sanjay Motiani: We use around an average of five years, and it differs from a different type, like you have servers, you have laptops, you have various types of other machines. So average is around four to five years.

Siddharth Agarwal: Which seems like a realistic -- I mean, in real-world case also because we would tend to change our -- I'm assuming that for a corporate and when you are lending to high-end corporate, who are clients. So they would not want to use a machine, which is more than four, five years old, right?

Sanjay Motiani: So basically, we -- see, what we do is we buy new machines for all the high-end corporates. And they normally don't use it -- about 3.5 years on the maximum side. So it works out very good for them. And then what we do, we have a second level of clients who require much cheaper machines. Call centers and then the schools are there. So those machines can be used for those people where the requirement is of a very basic machine and not the high-end machine. So that is the reason our profit keeps coming much later.

Siddharth Agarwal: So if I want to understand it over the economic life of our assets, whether it is a server or whether it is a laptop, so at least I spend say INR 100 on it, so how much is the rental that we are able to, on an average that out of that asset over its useful life?

Sanjay Motiani: How much we got till the end of the life, you mean to say?

Siddharth Agarwal: Yes. I'm assuming we would get it out after five, six years.

Sanjay Motiani: Yes, of course.

Siddharth Agarwal: So over the useful life, how much is the rental that we are able to gain out of that?

Sanjay Motiani: 2x to 3x.

Siddharth Agarwal: 2x to 3x. And for a new asset on an average, we expect a roughly 3% per month rental on that?

Sanjay Motiani: But then we see it's not only 3% is not such a simple calculation. We do provide a lot of service for it. We take care of the logistics. So on the back-end support that we give is what helps us get better orders and better clients.

Siddharth Agarwal: Are there any services also for which we charge the clients directly? Other than the rentals?

Sanjay Motiani: No, we try to incorporate everything into the rentals basically.

Siddharth Agarwal: And in terms of client concentration, you mentioned that no client is more than 5% of our turnover. And you also mentioned that we have more than 2,500 machines deployed at single client. So today, we have more than 50,000, 60,000 machines which are deployed across clients.

Sanjay Motiani: Yes, we have around 35,000-plus machines.

Siddharth Agarwal: 35,000 machines. Another question that I have had is that we are a 25-year-old company, and obviously, we have grown very well over that time. What is the reason that we have so much of our revenue concentration just from Maharashtra. If you think about it, all the IT companies or the startups are more prevalent in either Karnataka or Andhra Pradesh, NCR?

Sanjay Motiani: See, actually, what has happened, we are from Bombay, our orders are from Bombay, and we from here cater to pan-India delivery. And frankly, like you've seen this business requires a lot of investment. So whatever we want we keep flowing it back, and that's why our profits are showing and our money goes back into the business. That's why our balance sheets are so nice. So now what has happened is with this IPO, the reason why we went in for the IPO was the same, we will have some surplus money.

We will extra -- now we can start opening additional branches all over India. And then we can expand and then you will see a lot of clients from Karnataka or whether it is down south, Chennai, so we already have a few clients, but this will multiple now, now that we have the funds to invest because what happens every time you have orders for 200, 500 machines,

investment of nothing less than a few crores. So that there was a limitation. And now that we have the funds, we will grow much faster and pan-India.

Siddharth Agarwal: And more also, what was our borrower cost when we were borrowing the fund?

Sanjay Motiani: What we've been doing, we've been using the LAP rather than borrowing from a -- one second, see, this borrowing basically comes from banks only. So we are also in the same market where you and everybody else is. But the idea at the moment is to utilize more of our own funds, not to depend on borrowings. But yes, wherever it is necessary, we'll have to go to the bank so that the borrowing cost range is between 8% to 10%, how it is available now.

Siddharth Agarwal: And so since it is a capital-intensive business, so our rate of growth is in a way contingent on how much funds that we can arrange. One is the funds are added source could be either through our retained earnings or through borrow, so what kind of leverage as a business model are you comfortable with? What kind of leverage would you like to run this business with?

Sanjay Motiani: Yes. I'll tell you. See, we are basically going to ensure that whatever new fields we are going to expand into in terms of clients and all we have to be very careful. We also have to ensure that whatever rentals we bill has to be recovered. We are not at all interested in doing just a growth and just spreading our wings everywhere. We are being very cautious we are going step-by-step. We are ensuring that we deal with the best of people, that we get our money for whatever we raise our bill for.

Having said that, at the same time, we are open to look at opportunity on our way, we have IPO funds, so we don't look at any kind of borrowing as of now. We had to take [Technical Difficulty 0:41:45]. But looking at the opportunity that is made available to us, maybe depending upon the company, who is interested in terms of being a customer, we're going to look at various options and then we'll consider. Definitely, we are not going to over leverage. I don't think I'm interested in more than maybe 1:1 in terms of debt. I will not go beyond that because no sense of leveraging too much. This is what we are thinking at the moment. But we are not looking at debt today because we are still going to use the funds that we've got from the issue.

Siddharth Agarwal: So assumingly, so for FY '24, if you want to do a INR 50 crores worth of top line. So that is INR 16 crores additional income, rental income next year. And if it means that the asset that we need is maybe another day INR 40 crores worth of asset to get another INR 16 crores of income for the next year?

Sanjay Motiani: It will be a continuous process, sir. I mean, we have the bellwether there will be a growth in terms of rental per computer growth also. There is also going to be the number of machines that we keep on buying it a continuous process? We keep on ensuring that more-and-more customers are there, we keep on increasing the rental. So it's a process, but what ballpark what you said, yes, this is how it will go on growing. We are working on with various asset-light models also. We are looking at working out how we can get the rentals without actually investing in purchase of the equipment, looking at various options, sir, and let's see how things pan out.

- Siddharth Agarwal:** And just on the last question on the last split that you just mentioned. So we are talking about an asset-light model. So we in a way we're solving this problem ourselves for the company that the company should not need to invest in the asset, and we solve that problem for them, along with that service side of the thing, maintaining them, but now who would be our client? I mean, what is the value proposition for them who would like to buy asset and lend it to us?
- Sanjay Motiani:** There are many finance companies who would be interested to do that if they are assured with assured for continuous rental coming in, so we are looking at various options. Things are under discussion. We don't want to divulge much on that, but that's what is on the drawing at the moment.
- Siddharth Agarwal:** But as a business model what kind of a spread because we have to pay a rent and we will get a rent. So what kind of spread is practically possible as a business model?
- Sanjay Motiani:** We are looking at more than a 30%, 35% spread. Otherwise, it won't work for us.
- Siddharth Agarwal:** You mean if they are charging us 2%, then we get another 30% of that and just we charge 3%, is that what you mean?
- Sanjay Motiani:** Yes. I think we should wind up Mr. Rane?
- Ramadhin Rane:** Faizal, do we have anymore questions?
- Moderator:** Sir, we have questions in the queue.
- Sanjay Motiani:** Shall we keep this, sir, I mean shouldn't we wind this up. I mean we should it's more than an hour, almost. Let we could take the questions separately and send it the answers or something over that sort? Faisal, what do you think?
- Ramadhin Rane:** Sir, ideally, since this is our first call, we should take the questions, unless you have another meeting lined up.
- Sanjay Motiani:** Okay. Let's take extend for another 10 minutes or so.
- Moderator:** We'll take the next question from the line of Abhishek Sharda an Individual Investor.
- Abhishek Sharda:** Sir, I just want to ask what are the major figures that led to such good growth in these last six months, is it majorly due to some aggressive acquisitions of your machines in these six months or some big clients that are due to some big...
- Sanjay Motiani:** Is in the last six months, it's been continuously there for last six years. Even last year, we made 100% year-on-year profit even before that. And this year also, we've done around 70% increase in our sales and around 50% in the last six months. So it's not been in the just last six months or so, it's been the last six years that we've been consistently performing.
- Abhishek Sharda:** So basically, customer addition is a continuous process, and we are adding customers...

Sanjay Motiani: 100%.

Abhishek Sharda: And sir, I just want to ask you, like you cater to almost all the business industries, right? What is any one or major business industry that contribute to our revenue, one or two?

Sanjay Motiani: No such thing.

Abhishek Sharda: So it's a diversified revenue on...

Sanjay Motiani: Could you see, we can -- anybody who's using numbers will be our clients. So there is no this thing which will give us that we do that. I mean, anybody and everybody who uses computer can become our client?

Abhishek Sharda: And sir, lastly, I just want to ask if you can throw some light on your debt reduction plan.

Sanjay Motiani: We don't have any debt. We've already paid off.

Abhishek Sharda: So you are debt free right now.

Sanjay Motiani: Yes. Almost debt free.

Moderator: The next question is from the line of Bhavya Doshi from Kriis.

Bhavya Doshi: And to -- just on a question like on acquiring the customer, I mean, do we take any kind of deposits? I mean, some kind of a percentage of asset value that we are going to give out to them?

Sanjay Motiani: No, sir, we don't. I mean I feel the movement people want to pay deposit, they will prefer buying the asset rather than so we don't do it. We do our due diligence; we do the complete check on the client. And we cannot expect Tata or Reliance to pay as a deposits. So that we don't do.

Bhavya Doshi: And also, are we planning to tie up with any data center, what is the growth strategy? Like are we supplying to any data centers right now? I know yes, what percentage of the revenue?

Sanjay Motiani: Yes, I said we have all -- I mean, you name it, and we have all kind of clients. So yes, we do have clients in the data center field and...

Bhavya Doshi: How much percentage would that be?

Sanjay Motiani: No, I won't be able to tell you that. I don't have that data immediately with me.

Bhavya Doshi: And do we supply to any government bodies or someone?

Sanjay Motiani: Yes, we do.

Bhavya Doshi: And you won't be able to share that portion to that.

Sanjay Motiani: Exactly. No.

- Bhavya Doshi:** And what is the dividend payout ratio?
- Sanjay Motiani:** So, we have not yet declared any dividend. [inaudible 0:49:39] At the moment, until now, we have not declared any dividend -- we have used all our funds reimaging in the business. So nothing in the pipeline at the moment, we will see how things turn out.
- Moderator:** The next question is from the line of Rajesh Singla from Societe Generale.
- Rajesh Singla:** My question is regarding the capex guidance, if you can provide for the second half of this year. I know you raised INR 20 crores from the IPO and how much capex you would be spending in 2023, if you can share that? And you had a gross block of INR 68 crores, I think at the end of September 2022. So was -- and you spent INR 15 crores during the last six months. So how much of this INR 15 crore is -- like is this INR 15 crores fully deployed right now, like or you will generate more revenue in -- on this INR 15 crores in the coming six months?
- Sanjay Motiani:** Sir, our purchase program spans across the whole year. So if we have purchased INR 15 crores worth of assets, they would be deployed. I mean, the purchase would be gradually across the period. And roughly, it takes 10, 15 days for the deployment. So even if we have invested something like INR 15 crores, the rentals would start after that. So yes, what do you say is right that going forward, the rentals will slowly keep on increasing. Suppose hypothetically, we stopped the purchases.
- My rentals would keep on growing initially for, say, six, seven, eight months, and then they would start tapering off because there would be no addition. So -- but going forward, we are looking at -- I'll be a little bullish on the additions part. We are -- we have the funds, we have retired certain debt at the moment. And going forward, we want to utilize this money available for that.
- Generally, we have a capex of around INR 2 crore order month, maybe we will increase it to INR 3 crores, and we'll look at various opportunities. We have to do a cost-benefit analysis. And then this is how we are going to plan. So that's how we are going to go ahead with that.
- Moderator:** Thank you. Mr. Singla, may we request that you return to the question for follow-up questions. We'll take the next question from the line of Sahil Chopra from KIFS Trade Capital.
- Sahil Chopra:** So if I go through your IP document in that computer software and assesses for higher is constituting around INR 50 crores in the gross block. So can you provide the bifurcation on same?
- Sanjay Motiani:** Difficult to give you a bifurcation immediately, sir, but then it could be 40 plus 10 or 45 plus 10, I'm sorry, I don't have the numbers immediately to give you that breakup.
- Sahil Chopra:** Majority of assets are computers, right?
- Sanjay Motiani:** Yes.

- Sahil Chopra:** Out of INR 50 crores, we can assume around 80% of computer...
- Sanjay Motiani:** Maybe even more, yes.
- Sahil Chopra:** And what kind of like depreciation rate we charge on these assets?
- Sanjay Motiani:** The depreciation rate we follow on by straight line method. That is what is what we have changed too. So we follow that assuming a life span of three to five years, depending upon which type of asset class it is, Servers is different, computers laptop sometimes is different. So it depends upon the asset class. But that is the period that three to five years, sometimes -- in some cases, even six.
- Sahil Chopra:** And what kind of average payback period you look while buying an asset?
- Sanjay Motiani:** Normally, we look at a payback period of not more than 1.25 years because that's where the money has to come back. But then over a period of time, the rental that the asset gets reduces after two or three years, but that's how it is.
- So like if you have a 3% thing in the 1 year, you would just one thing. Yes. So over that period will be three years. So that's how that money would come back. And then post three years, I'm sorry. And then after that, leasing start slightly depleting and then the asset keeps on being used for five years, six years or more.
- Moderator:** Thank you. Mr. Chopra may request a that you return to the question queue for follow-up question. The next question is from the line of Vivek Hinduja an Individual Investor.
- Vivek Hinduja:** Sir, I have one question. If you could enlighten us on the competition we have in this field and who are our competitors of similar size or more wayer?
- Sanjay Motiani:** There are a few, but more or less everyone in -- I mean, there are a few are at par with us, many who are bigger than us. So I won't be naming them, I wouldn't like to.
- Vivek Hinduja:** And they all are of a similar size, like, for example, if you're on a scale of 1 to 10 in our state of Maharashtra, we would be on what ranking?
- Sanjay Motiani:** Will be among the top five.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Ramadhin Rane for closing comments.
- Ramadhin Rane:** Thank you, Faizan. On behalf of Hem Securities Limited, I thank Silicon Rental Solutions team for giving the time we spend on this call and responding to all the queries in a detailed way. I would also like to thank all the participants for joining this call. Now I would like to hand over the call to the moderator.

Moderator: Thank you. Ladies and gentlemen, on behalf of Hem Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.