Date : 31-01-2024

To,	To,
BSE Limited	The National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers,	"Exchange Plaza", Bandra – Kurla Complex,
Dalal Street, Fort,	Bandra (EAST), Mumbai – 400 051
Mumbai – 400 001.	NSE SYMBOL: NETWEB
BSE Scrip Code: 543945	

SUB: TRANSCRIPT OF Q3 FY23-24 POST RESULTS EARNING CALL

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), please find enclosed the transcript of Post results earning call for Q3 FY23-24 held on Wednesday, 24th January, 2024.

This is for your information and dissemination on your website.

Thanking you,

For Netweb Technologies India Limited

Lohit Chhabra
Company Secretary & Compliance Officer
M.NO A36610

File name – Netweb Technologies

Duration – 01:00:08

Male Speaker1 (00:08): Yes, it has been started.

Sandeep Shah, Equirus Securities (00:15): Sanjeev sir, I am going ahead.

Mr. Sanjeev Sancheti (00:18): Yeah, please go ahead. Please start. Please start.

Sandeep Shah, Equirus Securities (00:19): Yeah, hi. Hi, good afternoon and good evening to all the participants. I am Sandeep Shah from Equirus Securities. I welcome all the participants, investors and senior management to NetWeb Technologies India's post result 3Q FY24 earnings webinar. Please note that this webinar is for 60 minutes and same is recorded. Now I hand over the floor to Mr. Sanjeev Sancheti, Head of Uirtus Advisors LLP, an IR advising firm to NetWeb Technologies India to introduce the senior management of NetWeb, discuss safe harbour statement and flow of the webinar. Over to you, Mr. Sanjeev.

Mr. Sanjeev Sancheti (01:00): Thank you, Sandeep. Good afternoon to all the participants. It is my pleasure to introduce to all of you the senior management team of NetWeb today to present the call. With me are Mr. Sanjay Lodha, Chairman and Managing Director, Mr. Naveen Lodha, Full-time Director, Mr. Hriday Vikram, Chief Sales and Marketing Officer and Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer. Before I hand over the call to Mr. Sanjay Lodha for the operating remark, I would just like you to draw the attention to the safe harbour statement in the earning update. Kindly go through the same. Over to you, Mr. Lodha.

Mr. Sanjay Lodha, Chairman and Managing Director (01:49): Thank you, Sandeep and Sanjeev. Good afternoon and a very warm welcome to all of you to NetWeb Technologies Q3 Financial Year 24 earnings webinar. I will take you through the business and operational highlights of the quarter gone by while our CFO, Mr. Prawal Jain will share the financial metrics. We are happy to announce that the company achieved its highest ever quarterly revenue and profits in the current quarter. Operating income increased by 41.9% year-on-year and 74.8% % quarter-on-quarter, reaching Rs. 2,534 million in Q3 Financial Year 24. We are also pleased to state that we have successfully launched our enterprise-grade switches and clocked a revenue of around Rs. 10 million in the quarter gone by. It is also pertinent to note that we have surpassed the operating income of last financial year in the first nine months of the current financial year, clocking an income of Rs. 4,582 million. Net profit for the quarter also registered a strong growth, increased by 20% year-on-year and 71.8% quarter-on-quarter to Rs. 260 million. We are pleased to inform you that we have received the prestigious order from Vikram Sarabhai Space Centre, ISRO, for the upcoming supercomputer envisaged to be the largest for the Department of Space, valued at Rs. 1,477 million i.e. around somewhere around Rs. 147 crores. Our business pipeline remains robust at Rs. 32,322 million, while Rs. 3,024 million already has been qualified as L1 bids. On the back of a strong business pipeline and robust order book of Rs. 3,391 million, we are confident to continue our growth in the near future.

Future opportunities. As you are aware, we have recently entered into a partnership with NVIDIA to become a manufacturing partner for NVIDIA Grace CPU Superchip and GS200 Grace Copper Superchip MGX server designs. As a manufacturing partner, we will be responsible for building and producing more than 10 server variations under our tie-on range of AI systems. This collaboration aims to address the challenge enterprises face in building the right AI infrastructure at the right cost. With this partnership, we are positioning ourselves to provide AI infrastructure solutions that cater to the growing demand for artificial intelligence across various industries, business verticals, providing

flexibility for various applications such as generative AI, speech analytics, text analytics, and automation. In this context, we would like to draw your attention to the fact that the revenue from AI systems and enterprise workstation segment increased by 340% year-on-year. As mentioned in our previous call, we are progressing well on establishing our SMT line at the new location and expect the same to be operational within the next 3-6 months.

Emerging Business. As you know, India holds a substantial position to capitalize the opportunities arising from rapid expansion of generative AI, such as large language models, LLM, and global adoption of AI across businesses. The widespread integration of AI into general workloads by government entities and large corporations is creating substantial demand for AI compute systems. Our large deployments, such as Airawaat, position us uniquely and provide a competitive edge to meet the rapidly evolving demands of generative AI. Furthermore, the growing demand for cyber-secure hardened high-end computing systems, particularly in light of the recent successful cyber attacks on foreign OEMs, presents a significant opportunity for us. With the opening of O-RAN and expansion of private 5G and 5G architecture, we are very well positioned to offer our systems and solutions for DU, CU, RU, and RIC, creating substantial business avenues for us. The adoption of private cloud, particularly by public sector banks and the BFSI industry, represents a sizable opportunity, given the increasing trend towards private cloud deployment among banks. In this context, we have already won an order with the PSU Bank and many other PSU banks are in the process of initiating bids for adoption of private cloud. I would now like to hand it over to Prawal ji for providing you the financial numbers. Thank you.

Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer (06:30): Thank you, Mr. Lodha. Good afternoon, ladies and gentlemen. Many thanks for joining the earning webinar. I will give a brief overview of the financial numbers for the quarter before we open for Q&A. I hope everyone would have got a chance to look at the earnings presentation and the press release by now. While our CMD has already covered the macro outlook, I will try to explain in a more granular manner the financial performance of the quarter by gone. Our revenue from operations rose by 41.9% year-on-year from Rs. 1786 million in Q3, Financial Year 23 to Rs. 2534 million in Q3, Financial Year 24. Gross profit was at Rs. 551 million, marking a year-on-year increase of 20.2% and a quarter-on-quarter increase of around 40.8%. Gross margin was 21.8% down from 25.7% in the corresponding quarter of the previous year. The gross profit margin for our business needs to be seen on an annual basis as we deal in high-end compute segment wherein the margins may vary quarter-to-quarter. An evaluation based on the overall performance would offer a more accurate reflection of our margins. Gross profit margin for the nine months ended 31st December 2023 stood at 25.4%. We would also like to highlight that with the continuing strong growth in our business and revenue, we expect our gross profit margin to stabilize at around 25-26% in the near term. Operating EBITDA for the quarter increased by 9.9% on a Y-on-Y basis and 78% quarter-on-quarter basis to Rs. 342 million. The operating EBITDA margin for the quarter was at 13.5% as against 17.4% in Quarter 3, Financial Year 23 and 13.3% in Quarter 2, Financial Year 24. The reduction in Y-on-Y margin is due to the reduction in gross profit margin explained earlier. Profit after tax that is PAT for the quarter increased by 20% year-on-year basis and 71.8% quarter-on-quarter basis reaching to Rs. 260 million and PAT margin for the quarter was at 10.1%. Return on equity increased from 17.4% in Q2, Financial Year 24 to 25.3% in Quarter 3, Financial Year 24 driven by a significant increase in profit after tax. ROCE that is Return on Capital Employed demonstrated an improvement from 22.3% in Quarter 2, Financial Year 24 to 32.1% in Quarter 3, Financial Year 24. During the quarter, net debt significantly decreased and resulted in a negative net debt of Rs. 182.7 million as compared to a negative debt of Rs. 0.3 million in preceding Quarter 2, Financial Year 24. Kindly note that this debt calculation excludes unutilized proceeds from the IPO. The cash conversion cycle in Q3, Financial Year 24 improved to 77 days down from 108 days in Quarter 2, Financial Year

24. This deduction was largely due to reduction in receivables by 27 days and increase in payable days by 7 days, slightly offset by increase in inventories by 2 days. I am pleased to inform that we have just received our PLI claim of Rs. 38.99 million for the Financial Year 23. We continue to remain focused on our strategic priorities and growth pillars, laying emphasis on our long-term goal of sustainable growth and profitability. On the back of a strong quarter coupled with a robust order book and business pipeline, we are extremely confident of achieving strong revenue and profit growth in the current financial year. With this now, I hand over the call to Mr. Sandeep Shah. Thank you.

Sandeep Shah, Equirus Securities (11:30): Thank you, sir. With this, we come to an end of the opening remarks. We can now open the floor for the Q&A. Participants request you all to restrict to two questions in the initial round. For more questions, request you to join the queue again. Participant, whoever wants to ask question, please press raise hand icon on your screen and once your turn comes, unmute yourself, announce your name and company name first and then ask your question. Once you get the reply to your question, please lower your hand icon on the screen. Also, sincere request all the participants, if you are not talking, please remain in a mute to avoid the echo of the audio sound and in order to enable the proper hearing of the audio sound. Participants, please raise your hand icon to ask the questions. We have first question from Mr. Ankur Jain. Please unmute yourself, announce your name and company name and ask the question.

Mr. Ankur Jain (12:29): Good afternoon. I am Ankur Jain. I am an individual investor in NetWeb. So, sir, my question is that you told that 3.8 crore around PLI you have received for FY22. Am I right, sir? Hello? Yes, sir.

Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer (12:55): Yes. We received a PLI of around 3.9 crores, which was the claim for Financial Year 22 launched in Financial Year 23.

Mr. Ankur Jain (13:13): Okay. This means that for FY23, the PLI will be claimed afterwards.

Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer (13:20): No, we have migrated to PLI-2. Therefore, we have relinquished our claim for financial year 23. So, there will be no claim for the financial year 23.

Mr. Ankur Jain (13:32): And what will be the longevity of this PLI? Means you will keep on claiming this or what are the conditions to claim PLI and what is the dependence of PLI on your bottom line and revenues?

Mr. Sanjay Lodha, Chairman and Managing Director (13:45): Yeah. So, basically, let me answer that actually to you. Okay. So, PLI 2.0, we were among the very few successful participants for PLI 1.0. Okay. And we successfully overachieved our target and then we got the incentive. Okay. That was for PLI 1.0. But government came out with PLI 2.0, which is much better. Because PLI 1.0, the highest percentage they were giving is 4%. And every year, it was reducing to 3%, then 2%, then 1%. It was a four-year scheme, whereas PLI 2.0 is a seven-year scheme. And basically, this starts for somewhere around, I think the total, the first year, there are a lot of variables there, but you get somewhere around 7% incentive in the first year itself. And then basically, it tapers down 1% every year, something of that nature. And plus, they are giving you value addition for increasing local value addition and all. So, the two points basically is that one is that the longevity of the scheme is longer. It was only four years earlier. It is seven years now. Plus, and the percentage which is being offered is higher than what was being offered earlier. So, both the things are there. And whatever the PLI, you have to make an investment of, we have been only sanctioned an investment to make around 20 crores. So, out of that, we are making over a period of seven years. Out of that, we are already making more, almost all similar kind of investment this year itself. So, we will not have to make investments in the future year. Even

this investment, which we are making will cover us for all the seven years. So, we are in a very, very positive point for that. And plus, basically, whatever we are manufacturing in India, most of our products are getting covered under PLI. So, we will get incentive. I hope I was able to answer your question

Mr. Ankur Jain (15:25): So, this is on your order book, or it is only on government order book or complete order book?

Mr. Sanjay Lodha, Chairman and Managing Director (15:31): No, PLI means Production Linked Incentive. It has got nothing to do with the order book. Basically, if the turnover is 200 crores or 400 crores or 500 crores of the target segment, I get it on the entire target segment.

Mr. Ankur Jain (15:48): Okay. Thank you, sir.

Sandeep Shah, Equirus Securities (15:51): We have next question from Mr. Raju P. Please unmute yourself and ask the question. Raju, we cannot hear you. Please unmute.

Mr. Raju P (16:04): Yeah. Can you hear?

Mr. Sanjay Lodha, Chairman and Managing Director (16:07): Yes.

Mr. Raju P (16:08): Yeah. This is Raju from Pune. I am an investor. So, I have a question regarding the PUC deployment on the cloud. So, is this a kind of solution or what kind of solutions are built around this cloud?

Mr. Sanjay Lodha, Chairman and Managing Director (16:27): Basically, we do private cloud and HCI, actually. Okay. Basically, because as you know that our focus customers are primarily enterprise customers. So, we do private cloud and HCI. So, basically, we don't own the infrastructure. The infrastructure is owned by our customer only. Like basically, if some XYZ client in Pune, maybe CDAC in Pune wants to have a private cloud, we will install the private cloud in their premises and that private cloud will be hosted there and their workload will run on that.

Mr. Raju P (17:00): Oh, okay. So, the PSU banks are using this cloud?

Mr. Sanjay Lodha, Chairman and Managing Director (17:05): PSU. Okay. Okay. Sorry. Sorry. I couldn't understand the PSU. So, PSU, what will happen is that basically, like for example, if you take Bank of Baroda. So, Bank of Baroda, what happens is that they will have a private cloud. For the entire operation, the entire operations will run on a private cloud and that private cloud will be deployed by us and basically on that private cloud, all the applications will run. So, private cloud will have maybe because it's a very secure thing. So, in that situation, it cannot just rely on one location, it will have DR site, maybe one DR or two DR sites. So, that's the way it works.

Mr. Raju P (17:38): Oh, okay. So, this is basically all this cloud, their building is basically for high performance computing?

Mr. Sanjay Lodha, Chairman and Managing Director (17:45): It's for high performance computing and it's for their various uses actually, for their core banking, for their basically various kind of application, for their retail banking, for the entire banking operation completely shifts to the cloud.

Mr. Raju P (17:59): Oh, okay. Okay. Okay. So, okay. Okay. Thanks a lot. Thanks.

Sandeep Shah, Equirus Securities (18:04): Yeah, thanks. Thanks. We have next question from Vikrant Gupta. Please unmute yourself and ask the question.

Mr. Vikrant Gupta (18:13): Hi, am I audible?

Sandeep Shah, Equirus Securities (18:15): Yes.

Mr. Vikrant Gupta (18:16): Hi, thanks for the opportunity and congratulations on a good set of numbers. So, my question was on the AI systems and workstations, particularly. So, I think the revenues at least on a YoY basis have expanded exponentially. So, if you can talk, A, about what has led to that growth and B, just for my understanding, what is the difference between an AI workstation that you are implementing or providing versus let's say a supercomputer? So, these two things.

Mr. Sanjay Lodha, Chairman and Managing Director (18:55): What was your first question? Can you repeat that again?

Mr. Vikrant Gupta (18:59): So, if you can explain what has led to the sharp growth on the AI workstation side, in which verticals have you implemented this or some color there?

Mr. Sanjay Lodha, Chairman and Managing Director (19:10): So, basically, if you really see, we are present primarily into six segments. Out of that, three are the major segments. The first is the HPC, that is the supercomputing. Supercomputing takes around 35-36% of my business, okay. And then the private cloud and HCI takes around 35-36% of my business. So, both these segments are very, very large segments for us. And then these both are basically the segments which are really growing leaps and bounds. You talk about supercomputing because supercomputing has become part of life. It is getting into everybody's life. It is getting into consumer. It is getting into oil and gas. It is getting into everything, into automobile, into pharma research everywhere. So, that market is growing. The other market is primarily private cloud and HCI. That is also definitely growing. The third vertical we are there is AI. AI and AI systems and workstations. So, basically, it used to be around 7% of our business, 6-7% of our business. But since all of us know that how basically AI is percolating and how basically the more and more usage of AI is coming into place into various government and various kind of basically even in the enterprise workloads, so that business has increased from 7-10% for us. And we see robust growth going on there. We feel that slowly, it can be around 15-16% of our business. But basically, it will be, I don't see it going more beyond that the total pie, because our other business is also growing very well. So, this is how basically I look forward to the AI kind of a thing. And plus, basically, there is a lot of momentum. You already know that the kind of workloads which are basically moving to generative AI and to AI and the use of GPUs is so much that basically NVIDIA is facing severe shortage of providing GPUs. So, this is a worldwide phenomenon. And since we have been working on GPUs for more than 15 years, we started working in the year 2010. So, we have a very good understanding. So, all that is coming to practice now, wherein basically our hardware design is specifically made to give optimal performance on the GPUs, as well as our software stacks are tuned in that way. So, that helps us in doing it. And I forgot your second question now.

Mr. Vikrant Gupta (21:23): Yeah. So, actually, my second question was quite basic. I just wanted to understand for my clarity, what is the difference between, say, an AI workstation that you're implementing and a supercomputer?

Mr. Sanjay Lodha, Chairman and Managing Director (21:35): Yeah. So, basically, you have been very intelligent, you have seen that there is a very thin line of a difference between a supercomputer and basically the AI. What happens is that these days, even supercomputers have started using AI phenomenally, because basically, if you are aware, the supercomputer we installed, Airawaat, which is the fastest supercomputer in the country today, that is the AI supercomputer. So, basically, what happens is that if the workload is too big and too large, so in that case, basically, it moves to a supercomputer. But basically, there are three stages of particularly AI. First is the basic, the first stage

is wherein you conceptualize, and you see the application. The second is you do the models, the learning happens. So, learning cannot happen on a supercomputer, learning will happen on individual machines. So, basically, your model is learned, and the inferencing happens. So, these are the three stages. And once your model is completely developed, then you can run it on a supercomputer to scale it up. So, that's how it works. So, the areas are definitely linked and basically related. And once basically your application is fully scaled up is ready, then it can run on a supercomputer so as to give you the desired results.

Mr. Vikrant Gupta (22:44): Understood. So, can you give some examples of any AI workstations that you implemented in which industries are you seeing traction and what are they using it for?

Mr. Sanjay Lodha, Chairman and Managing Director (22:54): Basically, AI workstations we have been using in various basically particularly in security and surveillance. Okay, basically, you see all kind of all the smart city projects which are going on currently. That is very easy to understand that basically where all the smart city, this implementation is going on various video analytics is being done. So, basically, the learning models are being done there and the AI models really run on that. So, that is one of the very simple examples which I'll give you. Other than that, basically scientific applications like all the most of the chemistry applications, they are able to use this AI simulation so as to basically run their applications very well. So, all wherever the graphics are being used, those are the areas in case of retail, wherein basically you need to do prediction on what kind of demand will be there, what kind of basically which color will sell more or something of that nature. There can be various thousands of premutation and combinations on which it can work. So, basically, and even in oil and gas also in seismic research. So, basically, all these areas, it really works very well.

Mr. Vikrant Gupta (23:54): Okay, so these are individual users at these organizations who are testing their models and require this particular workstation to do it.

Mr. Sanjay Lodha, Chairman and Managing Director (24:02): Yeah.

Mr. Vikrant Gupta (24:03): Okay, thank you. Thanks a lot.

Sandeep Shah, Equirus Securities (24:08): Thanks, Vikrant. The next question we have is from Shreshth V. Please unmute yourself and ask the question.

Mr. Shreshth V (24:16): Hi gentlemen, congratulations on very nice results for this quarter. So, three questions from ourself. First question is, what are the key strategy initiatives in the next three to five years? And are there plans to enter into the design of GPUs and server architecture, which is a significantly better margin business than this manufacturing, which is more like an OEM business and quant and compel in Taiwan are doing the same kind of business. The second question is related to, we are seeing significant generative allocations in budgets globally from enterprises, and also there are financial investments. So, what are the key bottlenecks do you see in your business and capturing that kind of a demand? So, is there, are you supply constraint, or are there, there are improvements to be made in the business development teams of Netweb. And third question is with respect to, what is the reason for decline in customer repeat rate from FY23 of 90% to 58% in nine months FY24?

Mr. Sanjay Lodha, Chairman and Managing Director (25:14): Okay. So, basically, we are not, I think, we are not working as an ODM at all. We, if you see our complete presentation, we design our products, we design our servers, even the NVIDIA architecture, the basic architecture is being provided by the major chipset manufacturer, like basically it can be Intel, it can be AMD, it can be NVIDIA. So, basically, we have basically understood of the roadmaps, at least 18 months to 24 months in advance. So, accordingly, we develop our products, we design our products based on our chipsets. Same way

as all the world, the major MNCs are doing it, same way we do it, we design our products ourselves. We have a complete hardware design team, which designs our products. And but basically, we are not box sellers. So, we just don't design a product and make a system and try to sell it. And most of all, we also have our software stack so that we basically any customer who's trying to use, he can get the maximum benefit from that particular vertical. So, that's how basically we do. So, we are not in an ODM stage. So, answering your specific question on the design of GPUs, I will like to be muted at this point of time, because this is something very confidential, which I will not like to disclose. I neither like to accept it nor like to deny it.

Mr. Shreshth V (26:27): Okay, thank you. I got my answers.

Mr. Sanjay Lodha, Chairman and Managing Director (26:31): So, that is there. As regards, your second question was basically, I think I got the third question on the repeat customer demand. So, basically, that is you can say that definitely what we got a very good new customer, which is considered, which is basically one of the very premium India's cyber security body. Very, very prestigious project for us. So since that order was large, so that definitely that was around 124 crore order or117 crore order something of it was there. So, basically, if we acquire a new customer, which is large in a new vertical, definitely that will skew the number on a quarter side. But if you see year on year, you will find the numbers very good.

Mr. Shreshth V (27:17): Yeah, that is a good reason for declining, so very much accepted.

Mr. Sanjay Lodha, Chairman and Managing Director (27:20): Second question was basically was, second question was on?

Mr. Shreshth V (27:24): So, it was about increase in enterprise budget for spends on generative AI globally, not only by the large enterprises, but also there are significant financial investments from the financial investors coming on generative AI. So, what is the reason for not being able to capture a significant demand there? So obviously, the results are exceptionally good, they could have been even better. So, what are the key bottlenecks in the business right now? Are they supply side bottlenecks or are they business development bottlenecks?

Mr. Sanjay Lodha, Chairman and Managing Director (27:50): I cannot 100% deny that supply side bottlenecks are not there, because basically everybody is facing crisis of GPUs. But definitely we are very well supported since we are basically the only manufacturer in the country for these kind of models we get proper support from all our major OEM relationships, which we have. So, we definitely get that. But the other is that that basically, please understand, we are not basically, box pushers, we just don't manufacture and try to sell it. We are basically trying to use it for applications, our customer segment is enterprise. Okay, we don't want to do, if you see my total sale also 50% comes from the government 50% comes from the enterprise actually an enterprise also large enterprise. So, we are always interested to work on the basically large enterprise models, whereas basically rather than getting into consumer models, the company's aim is very clear to target the high end computing and enterprise market. So, that's how we have been doing it and that market is very matured and we have to move gradually into it. And we are doing it at a very good pace because I'll tell you today, we are manufacturing, what I announced is that we are trying to manufacture Grace Hopper based systems in the country today. Okay, you tell me the adoption of Grace Hopper worldwide would be very, very less as yet. But basically, we are very ready that our prototyping should be basically the designs already done. Our sampling should be done sometime in March. And we plan to roll out the commercial product before the end of Q1 actually. So, that is very fast. We are basically the other manufacturer, not the normal manufacturers have not yet even started planning on that. So, we are way ahead on

that. And plus, basically, we are on the next gen product. But we are not targeting the consumer, we are targeting the enterprise market.

Mr. Shreshth V (29:31): Got you. Thanks a lot, Mr. Lodha for your responses. Glad to know about that. Thank you. Bye.

Sandeep Shah, Equirus Securities (29:37): Thanks. Thanks. We have next question from Simar K. Please unmute yourself and ask the question.

Simar K (29:44): Hi, good afternoon. Congratulations to the team on getting such a high number and working to talk with the previous con-call where you had mentioned one third would be on the H1 and I believe it's a very good growth going forwards in the H2 as well. So, I have a couple of questions. One on the new order which you have won from ISRO for the 147 odd crores. Is that in the same order by plan that you have for the 323 crores?

Mr. Sanjay Lodha, Chairman and Managing Director (30:08): Yes, that is part of that order book.

Simar K (30:10): Got it. And in terms, can you give me a sense of the order book that you have already in hand? What sort of segments, the four segments, can you give a bifurcation on the segments or the bifurcation on the terms of the revenue split in terms of the six segments that you are already catering to?

Mr. Sanjay Lodha, Chairman and Managing Director (30:30): Basically, if you see by all my quarter results also, you will see the revenue split among the segments has been pretty similar actually. If you really see, 35% to 40% business comes from the supercomputing, 35% to 40% business comes from the cloud. Around 7% used to come from AI. That has become 10% this year. So, basically if you really see the total revenue segment, I don't have it handy exactly because basically we don't focus on that because we are very clear and normally our business rolls out that way. It can be some 5-10% up and down, some quarter, some segment may do better. But overall we have seen that basically the revenue split between enterprise and government is also 50-50 and this is also being maintained in the same way. So, basically we feel it will go in the similar lines and that 147 crore is already there in our order book. I had already because with 40% CAGR what we are thinking of growing, my order book and my L1 pipeline, if you see the L1 is already around 300 crores. So, my order book is around 339, my L1 is around 300, that makes it 600 something. So, basically that gives me enough confidence that the ongoing quarter, the Q4 quarter will be good and basically this is the period wherein we get lot of new order closures also. So, basically we are very confident on at least this quarter and the next quarter of getting the business.

Simar K (31:56): Got it sir. And one more question in terms of the partnership with NVIDIA which I had mentioned in the previous call that Q1 of FY25 is where you are looking to implement the products. Do you see a shift in the timeline? Would it be Q1 of FY25 is somewhere what you are looking at?

Mr. Sanjay Lodha, Chairman and Managing Director (32:15): Yeah, I already mentioned just some time back that basically my commercial launch should happen by June 24.

Simar K (32:22): Got it. All right, sir. Thanks a lot. I'll get back in the queue.

Sandeep Shah, Equirus Securities (32:28): Yeah, thanks. Next question from Hardik Rawat. Please unmute yourself and ask.

Hardik Rawat (32:37): Hi, thanks for the opportunity. A couple of questions. Starting with the customer split that you mentioned, it is currently 50-50 as you said. What are your views in the next two to three years? Do you see the shift towards the private enterprises considering that more and

more enterprises are employing cloud solutions and like you yourself mentioned that there's a growing demand for AI systems. So, do you see the split tilting towards private enterprises over the next two to three years?

Mr. Sanjay Lodha, Chairman and Managing Director (33:08): Actually, really speaking, the government spending is also increasing. Please see that also because the government spending in the high-end computing is increasing day by day. But I personally feel that slowly within two to three years, the split may become 60-40. The 60% can be enterprise and 40% can be government. Basically, in all likelihood, I feel it will happen. But I don't feel it's still going beyond 60-40 actually.

Hardik Rawat (33:33): Understood. Another thing was with regards to your L1-2 exhibition, just wanted to understand in terms of in the orders in which you are awarded like the L1 bidder, how much time does it usually take for that L1 for a project that is L1 to turn into an inflows for you and become a part of your order book?

Mr. Sanjay Lodha, Chairman and Managing Director (33:54): Basically, it depends because basically there are several permissions, several things. It depends from case to case. But we have seen that within three to four months maximum, basically, they get converted into the order book.

Hardik Rawat (34:07): And usually what is like the hit rate for an order in which you are an L1 bidder to become part of it?

Mr. Sanjay Lodha, Chairman and Managing Director (34:14): In case of government, it is 65%. Basically, if I'm L1 bidder, my hit rate is 100%. If I'm already L1, that means I've won the order, only the PO has to come.

Hardik Rawat (34:24): Got it. So, in case like since our order book currently is at 3.2 billion with another 3 billion in L1, so I can consider the entire thing to be like the entire 6.2 billion to be your order book, right? In that case.

Mr. Sanjay Lodha, Chairman and Managing Director (34:40): You can imagine that, but I can only say what is a confirmed order. I can't say that the order book, I am very clear in my remarks, whatever I have said that basically 339 is my order book. For 300 crore L1, the orders are expected anytime. As soon as they get converted into orders, it will be added into the order book.

Hardik Rawat (34:57): Got it. And another with respect to this supercomputer order from ISRO, which you've mentioned in the presentation is pegged at about 1.5 billion, 150 crore odd. What will be our scope in this project?

Mr. Sanjay Lodha, Chairman and Managing Director (35:14): End to end.

Hardik Rawat (35:15): End to end. So, this means that the entire 1.5 billion is in our order book today?

Mr. Sanjay Lodha, Chairman and Managing Director (35:21): In our order book today.

Hardik Rawat (35:22): Got it. Apart from that, with respect to the NVIDIA partnership, NVIDIA on its website mentions NetWeb as its only elite OEM partner for AI systems. Just wanted to understand what is the extent of this partnership and how does this help you when they mention you as their only elite? I guess there are very, very few OEMs which are designated as elites. Just wanted to understand what does that mean?

Mr. Sanjay Lodha, Chairman and Managing Director (35:53): Yeah, actually, basically, if you would have heard Mr. Shankar Trivedi, number three person in NVIDIA, speaking at Vibrant Gujarat. Basically, he very clearly categorically mentioned NetWeb is their Make in India manufacturing partner. So,

basically what happens is that we take reference designs from them and we are among the very few worldwide major manufacturers who design the product and basically manufacture a product. So, we are among in that league and basically, we are very proud to do that. And India is very proud about that and we are trying to do that. And so basically that's the kind of a relationship which we have. We have a very long relationship with them. They have developed that trust and they have seen the expertise in our teams. That's the reason we have got into this relationship.

Hardik Rawat (36:36): Understood. And with respect to the SMT lines operationalizing in the next three to six months, can we see any impact on margins as a result of the SMT lines now being done in-house as opposed to contacted out prior to this?

Mr. Sanjay Lodha, Chairman and Managing Director (36:51): Even earlier was not really contacted out. Earlier also basically the asset was owned by us. Our SMT line was at a third-party location. Basically, we were only paying something for the labor charges and all. So, in our kind of business, I think that would have a very minimal kind of a margin impact. Let me tell you very frankly, we are not trying to put up the SMT line so as to improve our margins. Because basically the idea of putting our SMT lines with us, there are only two reasons behind this. One is the capability because basically we need the latest capability. Our boards are 16-to-24-layer PCB, which are really very complex designs. So, basically one is that the capability of the machines is needed. So, basically people don't have those kinds of machines. We have to invest in those kinds of machines. So, one is that. Second is that we are not very comfortable in sharing designs with people. Though we have all kinds of agreements and everything is there. But why should we share our designs with somebody else and give somebody else also the expertise on how to manufacture it? So that's the reason we don't want to do it. I think the SMT line helps us in these two more areas in the margin.

Hardik Rawat (37:59): Understood. And the 200 million that you mentioned that you've already invested in terms of your PLI obligations. So, I'm assuming that a part of it was for the SMT lines?

Mr. Sanjay Lodha, Chairman and Managing Director (38:10): Yes.

Hardik Rawat (38:11): Would that be correct?

Mr. Sanjay Lodha, Chairman and Managing Director (38:12): Yes.

Hardik Rawat (38:13): Alright. And where are we with respect to the PLI localization? Because the last time I remember that we seem to be quite ahead on the localization drive. So, any color on how many components we have been able to localize this year and any expectations with regards to fiscal 25?

Mr. Sanjay Lodha, Chairman and Managing Director (38:31): We are doing it as per the policy. We are even ready, but basically we are, because if you do more localization this year, you will not get more incentive. So, basically maybe we will, one localization we'll show this year, one localization we'll show sometime in April or May, something of that nature. So, that gives me the confidence that we are much more way ahead and we will do it. We will release that as per the policy requirements.

Hardik Rawat (38:55): Understood. A couple of last questions with regards to new product development.

Sandeep Shah, Equirus Securities (39:00): Hardik request to come back in the follow up.

Hardik Rawat (39:02): Alright. Got it. Thank you.

Sandeep Shah, Equirus Securities (39:05): Yeah, we have next question from Vinayak Anawalikar. Please unmute yourself and ask the question.

Vinayak Anawalikar (39:14): Good afternoon. And congratulations on a very good result. I just wanted to have your view on the news article which came out yesterday regarding government of India's proposal to set up a supercomputing hub and invest close to 10,000 crores in it. So, that note they are going to put up in the cabinet. So, I would like to have your view on it and the business outlook that you hope to generate from this kind of massive investment from government. Thank you.

Mr. Sanjay Lodha, Chairman and Managing Director (39:52): This is a great initiative. Let me tell you very clearly. And basically we all have been working towards that. So, basically what government is trying to do, government is trying to create a sobering cloud. Okay, wherein basically all these today AI and basically all the generative AI, there are a lot of startups which have started working on it. And they all need infrastructure. So, what government wants to do, they want to create a huge facility wherein they can give infrastructure to these companies so that Indian startups can grow very well. It's a very, very noble cause. And it will really fuel up, you cannot understand the kind of basically the lead which India will take with this particular step if it is completely successfully implemented. Because this will provide basically all these startups were hungry for resources. And GPU compute resources are not cheap, they are difficult to get, they are difficult to maintain. So, government, this initiative is a very good thing in this direction. And we are very well posed so as to basically handle that challenge as it comes. And primarily because government is also mandating, it has to be make in India complete products. So, basically we are one of the major Indian manufacturers and designers for these such kind of servers and solutions. So, that definitely is a good opportunity for us.

Vinayak Anawalikar (41:08): Okay, thanks. Thanks for answering it. My question is, any timeline you would like to just hazard a guess on it?

Mr. Sanjay Lodha, Chairman and Managing Director (41:17): You have to ask Rajiv Chandrasekharji.

Vinayak Anawalikar (41:20): Okay, thank you. That's it for me.

Sandeep Shah, Equirus Securities (41:24): Yeah, we have a follow up question from Vikrant Gupta from ICICI Pru Life. Unmute yourself and ask the question.

Vikrant Gupta (41:32): Yeah, hi, thanks for the opportunity again. So, again, I just wanted some more clarity on the AI workstations part. So, we hear some of the IT services companies talking about enterprises releasing some budgets for proof of concepts around generative AI, small projects, but which may scale up in the future. So, I know our sort of geographical mix is very different from an IT services company. But do you see Indian clients in that context releasing some budgets for these sort of proof of concepts? And are we supplying our workstations to them? You talked about one of the capabilities being our hardware being optimized to run the new LLM based workloads, right? So if you can provide some context there.

Mr. Sanjay Lodha, Chairman and Managing Director (42:23): Yeah, so basically today the AI is growing in such a way, even the Indian GSIs or Indian application providers, even Indian pharmaceutical companies, they also cannot be kept aloof from that. Everybody wants to get into it. Everybody wants to try their hands. They want to see how AI can really help them so as to optimize their complete applications. Okay, so definitely we are getting a lot of interest from different people. People have different ideas. As I think, I last time I talked on my call also after Jensen's visit, there is a huge amount of interest wherein basically the kind of basically intercity generating. The compute capacity, people are trying to build up compute capacity so as to handle these kind of workloads. So, definitely I feel even domestic companies and domestic workloads are also very high on radar and they are also trying to get optimized. Each and every, you talk about all the CDOTs, the CDACs and all that in the government side. You talk about all the major GSIs in the country today or the large enterprises.

Everybody is talking because somebody was telling me that, but you guys are perfect in that. You scan annual report of maybe 1,000 companies. Out of that, you will find that more than 500 of them have mentioned AI somewhere on the annual report. We want to focus on that.

Vikrant Gupta (43:43): Got it. Okay. Thank you.

Sandeep Shah, Equirus Securities (43:47): Yeah, we have a question in the chat box from Varun Manohar Mohanraj. The question is, we have high asset turns like 15-20X. Two to three years down the line, where will we be incrementally investing our internal accruals?

Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer (44:18): Yeah, I am answering this question. So, down the line, we will be having sufficient funds. So, we might be looking for some acquisition possibilities or partnerships where we can leverage our capabilities to provide some acquisitions and other things where we can enhance our revenue and either acquire or invest in the companies. So, funds, if idle funds will be there, then acquisition possibilities will be explored.

Sandeep Shah, Equirus Securities (44:58): Okay, thanks. And he has a follow-up question. We have targeted to reach 600 crores worth of order book at the end of FY24.

Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer (45:07): No, no, no, no. So, we didn't mention anywhere that our order book will be 600 crores. The revenue guidance given by us was 600 crores.

Sandeep Shah, Equirus Securities (45:20): Yeah. So, thanks. Thanks for that clarification. The next question we have in the queue box is now from Mr. Hemant Bajaj. Please unmute yourself and ask the question.

Mr. Hemant Bajaj (45:35): Thank you, Sandeep ji, for giving me the chance to ask the question. As you mentioned, as I have been noticing that various oil and gas majors are also investing in private clouds because it helps them in the exploration part of the whole optimization part. So, how we are trying to approach that segment? Or do we have any existing orders from the oil majors?

Mr. Sanjay Lodha, Chairman and Managing Director (46:06): Yeah. So, basically, I think the oil majors, we are working with all the major, the PSU there, ONGC, we are very closely working with them. So, as to basically scale up their applications and help them. The other is that which I mentioned to you last time, I think from one of my calls, that basically on the oil and gas, the ISV dependence is very high. But since the ISVs, they are also helping us so as to put their application on our machine so that basically Indian customers can use it. Some live examples are we have been working with, we have already online migrated some of the seismic applications for an oil major called Crane Energy in India. And so basically, this is how and there are some more customer names, which I would not like to disclose, but we are definitely working with the various ISVs. And we have a complete roadmap set to help the oil and gas industry to basically to have more customers there and to provide them solutions.

Mr. Hemant Bajaj (47:07): Sir, I have one more question. As you mentioned, GPU compute resources are in high demand by the Indian startups in the enterprise because they are needed for various high computing and high-performance computing part. So, I want to ask that there is also another company in the market which provides it on a rental basis, it's a GPU based cloud service provider. So, how do you see it as a competitor? Because what NetWeb provides is NetWeb installs the whole and it becomes like a trunky provider of GPU based servers, if I am right.

Mr. Sanjay Lodha, Chairman and Managing Director (47:49): We don't provide anything on rental basis. All these cloud providers can be my customers, let me tell you very clearly, because they will

definitely so as to provide the cloud on the GPUs on the cloud. Definitely, they will need the infrastructure and they can be my customers. I don't mean to say that all of my customers, but they can be my customers.

Mr. Hemant Bajaj (48:09): So, it means, for example, if I take the name, if E2E networks is expanding, for example, and it needs servers, it would be buying, you would be able to supply the servers to them, right?

Mr. Sanjay Lodha, Chairman and Managing Director (48:22): They cannot be my competitors, they can be my customers.

Mr. Hemant Bajaj (48:25): Okay, and I have one more question. How can you define, how will you define your relationship with Intel? Because what I am not able to understand is what Intel provides you and what's your role in the designing part and all.

Mr. Sanjay Lodha, Chairman and Managing Director (48:43): This question is very, very basic actually, because if you really see today, I think 70% of market is based on Intel, all the servers are x86 servers, and we design our systems based on Intel actually, okay. So, basically, the x86 architecture is being supported by Intel and AMD, and we design our, because Intel provides a reference architecture on that basis, we design our servers. Basically, previously it was Cascade Lake, then it was Ice Lake, then it was Sapphire Rapids, and there are future roadmap which we are working, which I still have in India, I cannot disclose it to you. The new chipsets which are being introduced by them over a period of 18 months. So, we work with them, and then basically they provide the reference architecture, and then we design the complete systems for them.

Mr. Hemant Bajaj (49:30): So, means the design is provided by Intel and what you do is you design the servers, right?

Mr. Sanjay Lodha, Chairman and Managing Director (49:36): Design is provided, only the reference architecture is provided by the Intel, because the mother chipset is from Intel. The design is not provided by Intel, the designing is being done by us.

Mr. Hemant Bajaj (49:47): Okay. And one last question I want to ask you is that, if going forward, how do we see the revenue number 3 or 4 years down the line? Like what's your expectation?

Mr. Sanjay Lodha, Chairman and Managing Director (50:07): Really speaking, basically the areas we work upon are all growth areas, and we feel all the areas will remain growth areas for at least 3 to 5 years. That's very clear, and these are all growing areas. We have our own plans to introduce into new areas as well, but basically I think the current areas which we are working are really very robust, and we have been growing at around 40% CAGR for last approximately 2 to 3 years. We intend to grow up, we hope that we will be able to maintain the growth rate of at least 30 to 40% CAGR going forward.

Mr. Hemant Baja (50:42): And one last, you have another entity in the name which is your associate concern incorporated in Southeast Asia called Network PTE. You being a major beneficiary of the company, and Network PTE, it's mentioned in your DRHP.

Mr. Sanjay Lodha, Chairman and Managing Director (51:03): Yes, but I am not the major beneficiary of that company. If you read the DRHP carefully, everything is mentioned very clearly. It is in the name of Mr. Sandeep Lodha, and he is the major beneficiary of that company, and we have a non-compete agreement signed between us.

Mr. Hemant Bajaj (51:21): So, it doesn't impact the operation of Indian company called Netweb Technologies? Does it impact?

Mr. Sanjay Lodha, Chairman and Managing Director (51:28): No. We have a very clear definition of territory and everything actually.

Mr. Hemant Bajaj (51:34): Okay. Thank you so much.

Sandeep Shah, Equirus Securities (51:37): Yeah, we have next question from Ankur Jain. Please unmute yourself and ask the question.

Mr. Ankur Jain (51:43): Sir, I want some clarification on this. You are having 339 crores of order and 302 crores of L1. So, L1 will be converted into order when you receive a PO, right sir?

Mr. Sanjay Lodha, Chairman and Managing Director (51:58): Correct.

Mr. Ankur Jain (51:59): So, you have mentioned 3232 crores of pipeline. So, what exactly is this and how it will be converted into order?

Mr. Sanjay Lodha, Chairman and Managing Director (52:08): Yeah, actually I have been explaining the pipeline in all my calls earlier also. So, basically what happens is that we are working on around 3200 crore worth of basically pipeline we have. These are the cases which are going on basically on various cases where somewhere the tender is coming up, where the specking is going on, where the requirement has been completely specified. So, accordingly same case in the government, same thing is in the private also wherein we have identified it. Our pipeline serves us, takes around because basically you understand that if somebody is installing a supercomputer, they just cannot call me 10 days advance and they ask me and they plan it and they give it. It takes 6 months to 1 year so as to make it actually so as to plan it, to formulate it, to completely apply for budgets, take it and everything. So, basically so the pipeline is the cases which we are working upon and with the cases where the customer is convinced the POC has been done and the customer is convinced on the solution, he is working on the requirement how it will come. So, that suffices us for somewhere around a year to 18 months approximately the pipeline. So, that is the pipeline which we have mentioned.

Mr. Ankur Jain (53:17): Okay, sir. One more question. Like 50% of your revenue is from government and you told in this con-call itself that it will come down to 40% but it is still a big number. So, I want your view on that whether you see it as an opportunity or it is a threat like government orders are means some dicey kind of a thing and the payments are also delayed many times.

Mr. Sanjay Lodha, Chairman and Managing Director (53:44): I will like for my CFO convert that but basically I would like to tell you we love the government orders no doubt about it because basically we are not working with the normal government, the state governments and all that. Our government is primarily basically all high end educational institutions, all the major research institutions, all basically Indian Air Force and all those kind of people actually who are all large organizations like CDAC, CDOT, all these kind of people. So, basically they work much more better than what corporates work and what we have, my CFO always tells me the payment from government customers is faster than the payment from basically the enterprise customers. So, we don't have those challenges. We have never had any bad debts in our books. You might have seen our payment cycle has improved phenomenally. So, basically we don't have those challenges and for us government business is welcome and I always have been basically over the, I have been running this company for 25 years. At least 4-5 years I remember that we have been maintaining it around 50%. It's not precisely can be 5% up and down but 50-50% and that makes what's best for us. But since the question was that basically how the more and more public-private partnership and all those things are happening. So, that may lead to basically the corporate sales being going up to 60% that also I told you over the period of 2-3 years. In the recent term, we are very happy doing 50-50 kind of aspect.

Mr. Ankur Jain (55:09): And one more sir, like you mentioned that you are going into private, you are doing the projects of private cloud for PSU banks. So, why not private sector banks or other NBFCs?

Mr. Sanjay Lodha, Chairman and Managing Director (55:22): You basically, most of them are already there because basically what has happened if you see the private sector banks, they are already on the private cloud. The public sector banks, they are much more larger and they are all getting on the private cloud. So, that's an opportunity there.

Mr. Ankur Jain (55:36): Okay. Thank you, sir.

Sandeep Shah, Equirus Securities (55:40): Yeah, we have time for last few questions. Next, we have from the chat box from Mr. Jai Patel, Hanimi Group. He said your website mentions that you are developing a new product in the networking and 5G O-RAN space. Could you share how is progress going on the same and how does it merge with your other products like HPC and AI system products?

Mr. Sanjay Lodha, Chairman and Managing Director (56:04): Yeah. So, basically 5G O-RAN is going on very well at good pace. So, basically we are trying to develop a completely make in India 5G O-RAN actually. So, that gives us a, that puts us in a different league altogether. You can very well understand it's not a very easy thing. We have a complete R&D team which is working day and night so as to establish that doing various testings in various kind of situations. They have already achieved some kind of basically success already but they are trying to make it in a production grade kind of a thing. And we even intend to even manufacture the radios also if required but I will not like to make an announcement regarding that. We are really trying to see that because government also wants us to completely develop a 5G O-RAN kind of a situation. Basically, the product in India because the government also wants that it should be a make in India kind of a solution should be available that is there. On your next part of the question, how does it integrate with AI and all? Definitely, basically because with the 5G the AI adoption will increase on the edge side that is there but more than AI it will integrate with the cloud. Because basically if you are aware we have already been implementing 5G clouds for various telcos across the globe for large ones. So, basically we already have that expertise on the L3 side of it so definitely it integrates very well with the cloud. Thank you.

Sandeep Shah, Equirus Securities (57:24): We have another question in the chat box. Please provide guidance on revenue and EBITDA margins for FY24 and FY25.

Mr. Prawal Jain, Chief Financial Officer and Chief Human Officer (57:35): Yes, so the revenue guidance will be what we have been maintaining of 30-40% CAGR so that will be 600 I can say plus for this year. EBITDA margins will be more or less operating EBITDA will be related between 13-14% as we are getting the current EBITDA margins also in that range. So, there will be no improvement in this financial year on the EBITDA margins. For next financial year FY25 EBITDA margins will be in the range of 14-15%. Revenue guidance we will provide in March quarter ending con-call.

Sandeep Shah, Equirus Securities (58:27): Yeah, thanks. And the last question we have from Simar K. Please unmute yourself and ask.

Simar K (58:36): Hi once again. So, just want to ask you one question in terms of the current order that you have for one supercomputer which is around 150 odd cr. Assuming the government initiatives if you get more orders would you be planning to raise money through a preferential issue or leveraging any corporate, any other arm?

Mr. Sanjay Lodha, Chairman and Managing Director (58:55): I will leave that question basically because I don't think we need money as of now because I think we are very confident to at least basically to take our turnover up till 22-2400 crores. I don't feel we need money that is my

understanding and rest my finance team can be more aware but I personally don't feel that we need money at least up to 2500 crores.

Simar K (59:23): Got it. Alright sir. All the best for the future.

Mr. Sanjay Lodha, Chairman and Managing Director (59:28): Thank you.

Sandeep Shah, Equirus Securities (59:30): Yeah, due to time constraint we have to end this call. So, we thank all the participants, senior management of NetWeb Mr. Sanjeev for attending the webinar. We can now end this webinar and leave the same. Thank you all once again.

Mr. Sanjay Lodha, Chairman and Managing Director (59:45): Thank you. Thank you, Sandeep ji, for conducting it. Thank you so much. Thank you.

Mr. Sanjeev Sancheti (59:50): Thank you.