

Date: 08.05.2025

To, The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400001 Scrip Code: 543945	To, The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra East, Mumbai- 400051 Scrip Code: NETWEB
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SUB: TRANSCRIPT OF Q4 FY25 POST RESULTS EARNING CALL

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Post results earnings call for Q4 FY25 held on Monday, 05th May 2025 at 3.30 PM.

Kindly take the same on your records.

Thanking You,

Yours faithfully

For **Netweb Technologies India Limited**

Lohit Chhabra
Company Secretary & Compliance Officer
M.No A36610

Netweb Technologies India Limited

Plot No. H-1, Block-H, Pocket No. 9, Faridabad Industrial Town, Sector-57, Faridabad,
Haryana 121004

Tel. No. : +91-129-2310400

Website: www.netwebindia.com; E-mail : complianceofficer@netwebindia.com



“Netweb Technologies India Limited
Q4 FY25 Earnings Conference Call”

May 05, 2025



MANAGEMENT: **MR. SANJAY LODHA – CHAIRMAN AND MANAGING
DIRECTOR – NETWEB TECHNOLOGIES INDIA LIMITED**
**MR. ANKIT KUMAR SINGHAL – CHIEF FINANCIAL
OFFICER – NETWEB TECHNOLOGIES INDIA LIMITED**
**MR. NAVIN LODHA – WHOLE-TIME DIRECTOR –
NETWEB TECHNOLOGIES INDIA LIMITED**
**MR. HIRDEY VIKRAM – CHIEF SALES AND
MARKETING OFFICER – NETWEB TECHNOLOGIES
INDIA LIMITED**
**MR. SANJEEV SANCHETI – HEAD UIRTUS ADVISORS –
IR ADVISOR – NETWEB TECHNOLOGIES INDIA LIMITED**

MODERATOR: **MR. HARDIK RAWAT – IIFL CAPITAL SERVICES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Netweb Technologies' Q4 FY '25 Earnings Conference Call, hosted by IIFL Capital Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Hardik Rawat. Thank you. And over to you, sir.

Hardik Rawat: Good afternoon, everyone. This is Hardik Rawat. On behalf of IIFL Capital, I welcome everyone to Netweb Technologies' Q4 and Full-Year FY '25 Earnings Call. We have the pleasure of having with us the senior management team of Netweb Technologies, led by CMD, Mr. Sanjay Lodha; CFO, Mr. Ankit Kumar Singhal, Whole-Time Director, Mr. Navin Lodha; Chief Sales and Marketing Officer, Mr. Hirdey Vikram and Head of Uirtus Advisors, the IR Advisor to Netweb Technologies, Mr. Sanjeev Sancheti.

Without further delay, I'd like to hand over the floor now to Mr. Sanjeev Sancheti. Over to you, sir.

Sanjeev Sancheti: Thank you, Hardik. Good afternoon to all the participants. Before I hand over the call to Mr. Sanjay Lodha for the opening remarks, I would request and draw all attention to the safe harbor statement in the earning call presentation. I request each one of you to go through the same before the Q&A starts so that you are aware of the same. Thank you and over to Mr. Lodha.

Sanjay Lodha: Thank you, Hardik and Sanjeev. Good afternoon and a warm welcome to all of you to Netweb Technologies' Q4 and Full-Year Financial Year FY25 Earnings Call. I will take you through the business and the operational highlights of the quarter gone by, while our CFO, Mr. Ankit will share the financial metrics. We are delighted to report our highest ever income and PAT for the quarter Q4 financial year '2025 as well as for the fiscal year FY2025.

Our operating income rose by 55.9% year-on-year for Q4 FY 2025 and by 58.7% year-on-year for full fiscal FY 2025, reaching Rs 4,147 million in Q4 FY2025 and Rs 11,490 million in the full fiscal FY2025. We continue to maintain our strong growth momentum, scaling rapidly on expanding base.

We are pleased to announce that the Board of Directors have recommended a final dividend of INR2.50 per equity share, representing 125% dividend on the face value of INR2 per share. This translates to a dividend payout ratio of 12.4%. This is, however, subject to the shareholder approval. We are extremely happy to share that we have received our first claim under PLI Scheme 2.0 for IT Hardware, amounting to INR59.4 million for the period from July 1, 2023 to March 31, 2024.

This achievement underscores the success of PLI scheme in boosting domestic production and creating employment opportunities. We remain committed to in-house designing and producing world-class latest generation systems and supporting the Make in India initiative and contributing to India's growth as a global manufacturing hub. India's vibrant AI research

landscape and adoption across verticals fuelled by government initiatives to develop indigenous LLMs, offer significant innovation opportunities.

Netweb is strategically positioned to capitalize on this momentum, anchored by our focus on three pillars: HPC, Private Cloud and AI Systems. In FY25, AI continued to be the major growth engine, contributing 14.8% to revenue and 112% year-on-year growth. In line with our focused efforts in the AI space, we launched Skylus.ai in FY25, a unified solution to set up GPU-based AI infrastructure on the go that optimizes GPU resource management, simplifies deployment.

The launch of Skylus.ai marks a significant step in strengthening our leadership in design and solutioning of AI systems in India, contributing to the nation's vision of becoming the AI factory of the world. We are building AI native infrastructure designed not just for today's workload, but for the intelligence-driven enterprises of tomorrow where compute, storage and orchestration are optimized end-to-end for large scale AI data center and modern operations.

One of the key objectives behind IPO was to attract new talent and retain our existing teams. I'm pleased to say that we have further strengthened our talent pool over the year, adding total of 79 new team members, taking the total to 441, including 46 technical professionals, taking the total to 238 technical professionals. This reflects our continuous focus on deepening domain expertise and enhancing business and operational capabilities.

Innovation has been key driver for growth of the company over the last decade. Inline with this, the company applied for three patents in financial year '25. Additionally, we were awarded 1 design patent in March 2025. With this, now we have nine registered design patents. With a strong order book and a robust business pipeline, further reinforced by ongoing capability enhancements and strategic expansion of product portfolio, we are well positioned for sustained growth and continued technological leadership.

Backed by this momentum, we are confident in achieving a 35% to 40% CAGR in top line growth over the next couple of years. For the upcoming fiscal year, we are guiding for an operating EBITDA margin of 13% to 14% and a PAT margin of around 10%, reflecting our confidence on business momentum and our focus on profitable and scalable growth.

I would like to hand over the call to Ankit to provide updates on financial numbers. Thank you

Ankit Kumar Singhal:

Thank you, Sanjeev sir. Thank you, Sanjay sir. Good afternoon, ladies and gentlemen and thank you for joining our earnings call. Before we open the floor for Q&A, I will provide a brief overview of the financial performance for the quarter and the year gone by. I trust that by now you have had the opportunity to review our earnings presentation and press release. While our CMD has already discussed the macro outlook, I will delve deeper into financial performance, providing a more detailed analysis of the quarter gone by.

Our operating income increased by 55.9% Y-o-Y on quarterly basis, reaching INR4,146.5 million in Q4 FY '25 and increased by 58.7% reaching to INR11,490.2 million in fiscal FY '25. Our operating EBITDA for Q4 FY '25 increased by 47.9% Y-o-Y reaching INR597.7 million, while for fiscal FY '25, it increased by 56.1% Y-o-Y, reaching INR1,600.1 million. The operating EBITDA margin for Q4 FY '25 was 14.4% and for fiscal FY '25 it stood at 13.9%.

Profit after tax, PAT for Q4 FY '25 grew by 45% Y-o-Y, reaching INR429.9 million, while for fiscal FY '25 PAT increased by 50.8%, reaching INR1,144.8 million. PAT margin stood at 10.3% in Q4 FY '25 and 9.9% for fiscal FY '25. Return on equity for the FY '25 was 24%, while return on capital employed for the same period was 32.6%. The balance sheet strength is reflected by us being a zero net debt company. The company had net free cash of INR1,621.3 million as on 31 March, 2025 as compared to INR737.2 million as of 31 December, 2024.

Cash conversion cycle for Q4 FY '25 improved to 73 days as compared to 88 days in Q3 FY '25. Cash flow from operations for Q4 FY '25 was INR655.04 million, reflecting our disciplined and focused efforts to enhance cash generation through improved operational efficiency and working capital management. The company successfully deployed SAP S/4 HANA to enhance control and oversight of all operational and financial processes.

This upgrade enables real-time insight, streamlined workflows and stronger governance, supporting scalable and efficient growth. We remain firmly aligned with our strategic objectives and growth pillars, maintaining a clear focus on sustainable growth and long-term profitability. Backed by a strong quarterly and year-to-date performance, a healthy order book and a robust business pipeline, we are well positioned to deliver meaningful revenue and profit growth in the current financial year.

With this, I now hand over the call to Hardik Rawat:

Hardik Rawat: Thank you. We can now proceed to the Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

Garvit Goyal: Congrats for a good set of numbers. My first question is on the AI segment. You are mentioning, we are going very fast and the numbers are saying the same thing. I want to understand the key drivers for this particular segment and where do you see this segment three years to 5 years ahead as an overall contributor to our total revenue, sir? So that is my first question?

Hirdey Vikram: Yes. Thanks for the question. So, one thing is very clear that we have been telling from -- right from the IPO days that AI is going to become the third important vertical for us, and it is going to -- we see a lot of headroom in the AI product vertical. And that is what we have proven right as well, as you have seen that in all the quarters in the past, we have shown significant progress in the AI product line.

So that way, we see a lot of headroom and the larger -- largely, the requirement which is coming is from both the enterprise and the government section both. So from a customer point of view, I think adoption of AI is happening at a very larger scale, and this is definitely driven by a fact that the way the requirement of LLMs has grown multi-fold, and it has been filled by all enterprises and government organizations that they need to have private LLMs or the local LLMs, or they need to have some sort of LLM services.

There is something which is driving the AI adoption in a very different way. So, we see that this is going to continue in subsequent years as well. And your question was that how do we see it

after 3 years to 5 years? We definitely see that AI is going to become one of the most fundamental base for any nation, not just limited to government organizations, but even for the enterprise organizations as well. So definitely, we see a lot of headroom in the coming years as well.

Garvit Goyal: And what percentage are we targeting as a mix to our total revenues in next 3 years to 4 years?

Sanjay Lodha: So basically, as you know that the company has been growing at a rate of around CAGR of around 35% to 40%, so all our segments are growing very fast. So basically, though AI is growing at a faster rate, as I told you, it's already grew at 112% approximately. So currently, it is around 15%, around 14.8% to 15% currently. We feel by end of year, this will be around somewhere around 20%, little -- 19% to 20% of our existing share it will have.

Garvit Goyal: And is there any margin differential in this category, where we are able to get higher margins as compared to other segments?

Sanjay Lodha: Margin is almost all pretty same in all, because we price our products in a different way. You know that our competition normally is all on the single-digit margin, wherein basically we are around 14%. So basically, we are already at a comfortable position. And plus basically, since there is a huge market to be captured, we want to price our products optimally and just not just try to basically charge margins initially or something of that nature.

And you are seeing since we have been growing and we have almost all been able to maintain our margins very well. So, I feel AI has got some little bits of extra margin, but I don't think basically you should take it as similar margin profile.

Garvit Goyal: Understood. And sir, secondly, on the patent side, you mentioned we applied for 3 more patents and got more patent in the month of March. So, can you spend a few minutes on explaining what kind of patents are these? Are we able to enter into new areas via these patents? Or what is our exact thought process behind acquiring these patents, sir?

Sanjay Lodha: So basically, you know that innovation has been very, much the key in the journey actually over the period of 25 years. We have always been trying to innovate. We are completely an integrated company, wherein we design our products, we manufacture our products, we have our own software stack. It's completely end-to-end.

So basically, in our processes, we are able to develop some -- since we have a huge R&D team, we are able to develop some unique features for ourselves. So, we primarily try to patent them so that we remain secure on that. But actually, we will not be -- we are not in a position to divulge the details of what the patents are and all that because they are all under approval.

Garvit Goyal: Understood. So can you just tell us like the patents are belonging to the existing areas where we are generating the revenues or we are looking for new areas to enter into?

Sanjay Lodha: No, the patents are for existing areas only. They are primarily on the existing segments, which we are working upon. So basically, so what we are trying to -- we are innovating so as to enrich

the product lines. The new like basically, we got Skylus.ai recently, as you might have heard about it, that has received very good traction.

So, we always work towards basically making our products much more friendly and much more adapt to the current requirements of the customers. So in that process, we do a lot of R&D and our patents are in those lines actually.

Garvit Goyal: Understood, sir. Thank you very much, sir. All the best for the future. Thanks.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Good afternoon team. Congratulations on a great set of results. So, just wanted to know like we've had such a great amount of growth and AI is also firing quite well. So over the next 2 years, what kind of revenue growth can we see, like we've done, I think, over -- this year growth has also been over 40% of last year's growth. So, just wanted to know what kind of growth are we targeting for next year?

Sanjay Lodha: So basically, as we mentioned, Netweb from very beginning has been very clearly focused into the enterprise area only, while most of our customers are large government enterprises or large enterprises, primarily government and private. 50% of business is from government. 50% of business is from enterprises. So it's very well balanced actually. So basically, the AI segment is growing.

And basically, we have been saying that very clearly from the very beginning that last -- if you see my record for the last 3 years, you will see that basically we have been growing around 35% to 40%. I have been guiding that the same. So basically, we still would like to say that we see at least for next few years, the same growth momentum will be maintained. So, that is exactly how we would like to say.

And basically, I've already indicated currently, since we are growing at -- though my AI segment is one of the fastest growth mover for us, but still basically by the end of the year or by early next year some time, it can go up till 20%. But basically, since our private cloud and our HPC market is also growing, so this is the kind of mix we feel it will be.

Darshil Jhaveri: Okay. Fair enough, sir. And sir, I just wanted to also pick your brain a bit about our order book. So, I think in the presentation, it's maintained like we have a huge pipeline. So, could you just maybe elaborate a bit like how are these -- what are these orders for pipeline? Like, I think it's around nearly INR4,000 crores. So, these are long-term contracts, short term, how are they just working?

Sanjay Lodha: Yes. So basically, as I have been telling on each of my call for last 8 quarters that basically our company cannot be really judged in terms of order book because order -- basically, order execution cycle for us is somewhere around 8 weeks to 12 weeks. If you see my December quarter, when I presented the results, I mentioned that basically my order book is around INR350 crores, whereas basically my total revenue was INR440 crores. So basically, order book normally is almost all over in the next quarter.

So basically, we are a company which is dependent upon our funnel actually, the order pipeline. So, order pipeline -- because we are a proactive company, we have to understand that we work on designing solutions for our customers, okay? We don't go once the RFP is out. We go before the RFP is being published. So basically, that's the way we work. And basically, it takes us around 6 months to 8 months to work on a particular project and so that after that RFP is out and the execution is done.

So basically, we have a huge pipeline of around INR4,000 crores and conversion ratio, which we have seen is around 60%. And our pipeline closer is between 6 months to even 18 months. So, that's how that gives us the confidence how we will be growing at 35% to 40%, and we will be maintaining that growth.

Darshil Jhaveri: Okay. Sorry, sir, execution, you said 6 months to 18 months, right?

Sanjay Lodha: Execution is 8 weeks to 12 weeks.

Sanjeev Sancheti: Yes, execution is 8 to 12 weeks, but he was talking about -- since you were asking about the pipeline, you were saying...

Darshil Jhaveri: Yes. Sorry. No, I was just asking, sir, I think I understood, okay, we get the order, we start working before the order book only. So in general, like for the pipeline, like if you could just walk us through a bit like if you are having a conversation with the customer, it starts in month 1 and by the time we deliver it, it would take 12 months or a bit more than that. That's what I wanted to ask, sir?

Sanjay Lodha: So basically, it can happen in 30 days. It can happen in 6 months. It can take 1 year. I'll tell you, like basically, if somebody is planning a supercomputer, okay, then basically, they start talking to us in the very beginning. Once we feel that they need a supercomputer, we'll start talking to them, they run their quotes, we optimize their quotes. We basically make them feel where are they with their quoting, their quotes will scale up better.

The kind of solution will work for them, then they design the RFP. So, that's the reason basically once it's been designed and we do all the POC, everything for them, that's the reason our conversion rate, if you see is around 60%. So, all this takes around 6 months also. So basically, this is a very variable time. It can happen in 45 days. But normally, we have seen that average closer is -- at least it takes around 6 months approximately for a pipeline to conversion into an order book.

Darshil Jhaveri: Okay. Fair enough. And just like one last question from my end. I think international market is also a very good area for us. So, any kind of conversation that we are having or what kind of a growth strategy we want to do for an export market, sir?

Sanjay Lodha: So, basically, as you know, that our domestic demand has been phenomenal and basically, this is the eighth quarter result I'm presenting after listing. And you will see that for all the 8 quarters, consistently, we have grown at 35% to 40%. I think that itself basically shows the robustness in the company and the commitment we show to the market. So, that is there. So, domestic demand has been phenomenal.

But if you see our books very clearly, export has started this year. It is somewhere around 5% to 7% of the current turnover, and we feel that we will maintain this kind of percentage in future also because as I have been mentioning, we are not a kind of a consumer company or some kind of a box selling company, which will start selling products. Basically, our products are primarily more over our production grade, where basically for enterprise customers, they use for their production machines.

So, we need to have adequate support infrastructure so as to support them. And that takes time. So, we want to move gradually into that. So again, my commitment to the market will be 5% to 7% of export of our total turnover.

Darshil Jhaveri: Okay. Fair enough. That's it from my side. All the best, sir.

Moderator: Thank you. The next question is from the line of Anand B from KSEMA Wealth Private Limited. Please go ahead.

Anand B: Yes. I believe one of the questions that previously been answered regarding AI segment. I wanted to drive your attention to the -- yes, the high-performance computing segment. Currently, the segment revenue contribution from that is around 35%, as you mentioned in the presentation. And where can we see that and the private cloud segment to grow in the next 3 years, 4 years?

Sanjay Lodha: So basically, if you really see both the high-performance computing and private cloud, it is not something which we have started doing yesterday. We have been doing it basically for a long time. And supercomputing, we are doing for 20-plus years. Private cloud and HCI, we have been doing for 10-plus years, okay, so as you know today, how the data center market is booming.

So basically, that is definitely -- everything today doesn't work on bare metal. Everything tries to work on private cloud. So, there is a lot of traction for private cloud. So, we feel the private cloud market always -- if you see our -- the past quarterly results, there has been basically sometimes private cloud becomes 40%, sometimes 35%. So basically, they remain a very, very good mix actually between them. And we feel that will go on because private cloud, we are not seeing the data center market cooling off very soon.

More and more compute requirement is growing. And as regards HPC is concerned, supercomputing is concerned, basically, HPC has moved from research to basically various kind of uses like oil and gas, consumer, a lot of places actually, the uses of HPC has increased because in automobile, in manufacturing, various areas. So basically, that is also fuelling its growth. More and more user applications are -- complex applications are coming up. They are getting basically -- they take help from HPC.

So our HPC expertise, our software and hardware stack customization and all really helps to scale that up. So, we feel for some couple of years, both these segments will be around 35% to 40% of our complete portfolio.

Anand B: Okay. This is for the next 3 years, 4 years, we'll maintain around 35% to 40%?

Sanjeev Sancheti: Yes.

- Anand B:** Okay. And -- okay. That is answered. And what will be the industry vertical right now as for the current financial year, FY '25?
- Sanjay Lodha:** I think that is mentioned in our presentation. Basically, that's -- I think you can answer that.
- Ankit Kumar Singhal:** So the current sectors are IT, ITES. We have been doing with the BSFI. We have been doing with the space and defense. and a lot of government and public sector undertakings and higher education research institutes. They have been our -- the prime segments in terms of customer application industry.
- Sanjay Lodha:** 50% of business approximately comes from the government segment. 50% of business comes from enterprise segment. So, that will give you a very good understanding.
- Anand B:** Okay. But industry-wise, can you give me like a percentage breakup from the industry point of view?
- Sanjeev Sancheti:** It's there in the slide. We can -- what's already there in the data, I will request you to go through the presentation, which was circulated well in advance so that we can give time for more questions, which are not covered in the presentation.
- Anand B:** Okay. Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Hardik Rawat from IIFL Capital. Please go ahead.
- Hardik Rawat:** Thank you and congratulations team on another strong quarter. I'd like to begin with the revised revenue projection of 35% to 40% CAGR that we're giving out. And if I got it correctly, we are -- we expect the AI enterprise workstations vertical to form roughly 20% of overall revenue for FY '26. That's correct, right?
- Sanjeev Sancheti:** Well, I would rather say that it will grow up to 20%. Now, I'm not putting a date on that, immediately, but I think it will move towards 20%.
- Hardik Rawat:** So the understanding should be that it should move towards 20% in the next 1 to 2 years. That's correct?
- Sanjeev Sancheti:** Yes, I think that's better.
- Hirdey Vikram:** That's a better statement.
- Hardik Rawat:** Got it. And so just wanted to understand that this would mean roughly 5 percentage points increase from the current mix. This should come at the cost of other segments being our dominant segments, HPC and private cloud or this should come -- they should probably sustain the 35%-odd mix for both these segments and this should be on top of that?
- Sanjeev Sancheti:** See, Hardik, if you look at mathematics of it, 15% becoming 20% will not significantly change the other segments. Maybe 1%, 2%. Obviously, it cannot -- the total cannot be more than 100%.

So it will take it from somewhere. Now, sitting now and trying to envision in the next 2 years somewhere 8%, 10% comparison is very difficult.

Sanjay Lodha: And the base is also increasing, right.

Sanjeev Sancheti: Base is also increasing. So overall number will increase, but whether that 5% increase in share by these 2 segments or some other segments, it's a small percentage. I think it's difficult to get into that kind of precision on Y-o-Y.

Hardik Rawat: No, I get that. I'm not asking for a precise number. What I'm trying to understand -- let me put it another way. So, we are basically projecting 35% to 40% blended revenue growth. So for HPC and private cloud, we expect these two segments to grow in line with the blended revenue growth and AI enterprise workstations to slightly grow ahead of it. That's right?

Sanjay Lodha: Actually, overall growth, which we are committing 35% to 40%, Hardik, that will be maintained actually. So this year also, if you really see what happened is that though we were able to maintain the 35% for both the segments and though AI was somewhere around less than around 10% or 11% last year, it went to around 15%.

So basically, we are -- you can understand that we are -- and we are consistently growing at 40% CAGR almost all. You can -- it is visible to you. So basically, in that process, definitely AI will contribute, but I will not like to commit to the market anything beyond 35% to 40% of CAGR growth at this point of time.

Hardik Rawat: Got it, sir. Sir, another key standout in our overall revenue performance has been the HCS focused software and service vertical, which has grown quite sharply to about INR45 crores, INR46-odd crores in FY '25. This was a jump from roughly INR18 crores, which we did in FY '24. Any specific reason of this jump? Is it in relation to all the execution we've done in HPC and private cloud?

Sanjay Lodha: No, basically, actually, this is not that -- we are not a software or services company, okay, very clearly. But basically, what happens is that since our base is growing, we definitely get some better support contracts and services contracts also from large -- we primarily pick and choose those, wherever we have some kind of a good expertise like oil and gas.

There are some large basically oil and gas companies who look for some specified kind of HPC services and all those kind of things, which we provide. So definitely, this will remain in this range only. I personally don't see that basically it will be growing. Our major focus is primarily the 3 top segments actually, and that will remain that way.

Hardik Rawat: Got it, sir. Another question was with regards to our revenue projection. So, we are projecting 35% to 40% CAGR. Basis this, if I assume the upper end of the guidance, we'll hit about INR2,250 crores of revenue in FY '27. Now in our last conversation, the capex that we've done was good for about INR2,000-odd crores of turnover. So do we envision any another leg of capex somewhere towards the end of FY '27 or FY '28?

Sanjeev Sancheti: I wouldn't say that we will start putting the money, but maybe towards the end of '26 -- yes, '27, we may have to start planning for something for the future growth. But that again, you should know that asset turnover is 20 times So, we shouldn't worry about the capex because it's going to be nothing significant in any case.

Sanjay Lodha: Well, we have one of the best asset turnovers in the industry, if you really see that.

Hardik Rawat: My other question was with regards to cash conversion. So, we were expecting about a 30% to 35% OCF to EBITDA conversion for FY '25. However, as opposed to that, because of higher working capital intensity, it seems like our OCF for the year has been negative. Are there any one-offs in this? How do you expect this to evolve in the future or is it just additional inventory stocking considering that you expect strong...

Sanjeev Sancheti: I think this is a good question because it comes in every call. See, this is a problem of growth. If I'm going to grow at 50%, 60% -- we've grown at close to 60%. Now, our debtors -- our standard debtors are 90 days. In fact, we have done very well to be keeping it below 90, okay? And inventory, we have to carry because we are into such business where there are certain items which are very critical.

So, we don't expect our cash conversion cycle to improve anywhere significant from where we are. We believe it will be in the range of like 70 days to 90 days. And hence, if we continue to grow at, let's say, 50%, 60%, then obviously, a chunk of the revenue will get invested into working capital. And -- but as the growth smoothens to 35%, 40%, then you will start the cash coming back. So, this is typically a problem of growth.

The good part about this is that -- and this is something which I must clarify that the quality of the cash conversion cycle is extremely good. We have almost negligible, let's say, bad debt, and the aging is also very kosher. So, this will all get converted because we are growing so fast, because our last quarters tend to become so heavy that a lot of it is to be received.

And I think that's -- but we believe that at 35%, 40%, we will be cash positive definitely. But if you grow at higher than that, which I'm not at all guiding, then obviously, a part of that growth will get invested in the working capital cycle.

Hardik Rawat: So right now, going forward, at least from the next 2 years to 3 years perspective, in terms of our priority, does cash conversion come into that list of priorities or we'll prioritize growth first and possibly at the risk of our operating cash flow conversion?

Sanjeev Sancheti: No, I don't think risk off. It's a mathematic number. I don't believe to call it as a risk off because our quality of cash conversation cycle is extremely good, and I'm sticking my neck out to say that. But you tell me, if you were me, would you sacrifice growth for the kind of business that we are to get a better cash conversion cycle? I mean, the jury is out on this, you can...

Sanjay Lodha: And the amount of cash we have actually is not a limiting factor for us at all. And primarily, we want to grow and we want to maintain because, basically, you understand, we are a Make in India company, okay? We are doing a lot of innovative work basically in the country itself,

which basically we are only competing with the MNCs. So, that is basically giving a very good leeway to the company on the high-performance domain.

So basically, that is generating those kind of expertise in the country. So, basically, I think growth is very important for us. Our margins are good. Our growth has been consistent. So I think, basically, I don't think cash is any way limiting or we would never like to limit our growth for cash. I don't think cash is any limiting factor.

Sanjeev Sancheti: And also, while from an accounting perspective, you are seeing a cash conversion cycle where it is, but we are sitting on INR170 crores cash today.

Ankit Kumar Singhal: Just to highlight...

Sanjeev Sancheti: INR170 crores cash.

Ankit Kumar Singhal: The cash flow from operations has been close to INR65 crores.

Sanjeev Sancheti: Which we have already highlighted.

Ankit Kumar Singhal: Yes. Which we have already highlighted.

Hardik Rawat: All right. I think I will get back in the queue for more questions. Thank you.

Moderator: Thank you. The next question is from the line of Akshay from AK Investment. Please go ahead.

Akshay: Hi, sir. Congratulations for the excellent set of numbers for Q4 and FY '25. My first question is for the EBITDA margin that we are guiding for 13% to 14% EBITDA margin. But logically, if we see -- we understand that our customers are high-end enterprise customers and we have to give them some value of our products and cost-effective solutions.

But if you think logically, then we are growing at 40%. And if our cost -- all other costs remain same, naturally, our EBITDA margins would improve. So, why are we being conservative on that front?

Ankit Kumar Singhal: So, I'd like to tell you that as we have been telling that we are consistently charging our customer in a very wise manner, so -- okay, so the operating EBITDA that we have been guiding is 13% to 14%. There is a room of operating leverage, which can improve the margin by 30 basis points to 40 basis points in next year, which we can expect.

Sanjay Lodha: And plus basically, I would like to make a note here. If you see my competition actually, which is primarily MNCs, they are all on single-digit margin, whereas basically, we are at 14% or this kind of margin, which is much better than my competition. So, we are very comfortable in that. And plus basically, I don't want to -- I -- because all my customers are enterprise customers, and I have a lot of repeat business with my customers. So, I give them value for money.

And basically, I think the margins which we are charging is really adequate and really good, and that is helping us so as to maintain our growth. And basically, customers comes to us for repeat business for different segments also. So basically, I think that's the strategy we have been

working upon for year-on-year, and we'll still continue doing that because please, you have to check what kind of basically the margins our competition has. Competition is already on single digit. So, we feel we are already in a very, very comfortable set of margins.

Akshay: Okay. Sir, very well explained. And sir, my second question is on the funnel. Currently, we have the order funnel of around INR4,000 crores. So does it include the opportunities from India AI mission and also the regional large language model that our IT Minister is talking? So, does this include all these opportunities?

Sanjay Lodha: Basically, I can only answer partially to this. AI mission is not included in my funnel yet.

Akshay: Okay, sir. And this order book, does it include all the segments or only it includes the high-performance computing?

Sanjay Lodha: All the segments. All the segments.

Akshay: Okay, sir. Understood. Thank you so much for answering my questions.

Moderator: Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity and congratulations on a great show. Just on the Skylus.ai, the product, the solution which we have launched for the GPU-based architecture, can you throw some light in terms of this is a first-of-its-kind of product or there are competitors who have already launched these kind of products?

Hirdey Vikram: So thank you, Sandeep, for your question. So, Skylus.ai is something, which was a product on which we were working for very long. And now this has come up, and it's a proud moment for us because this is something, which is competing with some of the MNCs actually. Overall, if you see as such a single product available in the market, which can compete with Skylus.ai, we don't find any such option available.

But yes, with a combination of two, three different products, there can be a combination which can come near to Skylus.ai. But the best part is that Skylus.ai overall brings a lot of ease of usage on table for customers. And definitely, it's a perpetual license-based product. So, this gives another factor for users to opt for, then it brings competitive advantage also on the table for customers to opt for. So that way, both the advantages are there.

One is from technical aspect, it's a very superior product. Second is that it competes with multi-license-oriented offerings available in the market. So that way, it's quite well placed in the market, and that is the reason the adoption of Skylus.ai is increasingly going up and up in the market. And that's the reason we are so buoyant about that our AI systems and the AI solutions will get -- the adoption of our AI systems will go up and up with Skylus.ai coming into picture.

Sandeep Shah: Okay. And just a follow-up with the compute innovation on the rise through DeepSeek announcement as well as some other announcement from the U.S., is it the decision-making from the client in terms of spending on the hardware, opex, capex to implement the AI

architecture is getting delayed because they are -- may be also confused in terms of the cost of the operation, whether to put it now or may defer it by 3 months to 6 months or 1 year?

Sanjay Lodha:

So basically, I will answer it partially and maybe then Hirdey can add on Sandeep ji. So basically, you know that, as I have been mentioning again and again and it is visible basically from the market dynamics today, the DeepSeek has rather opened a lot of opportunities for us, okay? What is happening is that previously, basically, what I'm seeing is that I'm seeing the reverse trend.

After DeepSeek, definitely, if you see the India LLM story has started, India government started basically to build the models for India itself. So basically, people who are thinking that they cannot build fundamental models, they also started thinking of building their fundamental models.

So, all that definitely increases the demand for AI compute, exponentially actually. And basically, same way for the application developers. Previously, there was one large compute in the data center, which everybody was trying to use. But basically, since we are able to use GPU resources optimally, I think every department wants to have their own separate compute. So basically, rather than a situation wherein this will really make customers confused.

I think customers are over-buoyed about it, and they are trying to basically get more and more adoption of AI is going to happen. So, I personally feel this is a very positive factor. Hirdey can add on if he has something to add?

Hirdey Vikram:

Yes, definitely. I think as sir has said that this is very clear. With the advent of DeepSeek, definitely adoption is going up and up, and there is a reason for it that earlier those users who were trying to use -- trying to take out maximum performance out of limited hardware, they were not able to do so. But now with DeepSeek kind of LLMs or the other models there in the market, now users are able to take out maximum performance out of existing hardware, and they are even now thinking of scaling their existing hardware to next level as well. So that way, the adoption is going up. And that is the best part about it.

And just to share with you, Sandeep ji, that Skylus.ai is something, which is ultimately helping such users only. Because you see the way we have made -- the way traction is building around Skylus.ai. This is especially for users like those customers who were earlier around DeepSeek or other elements that they want to focus on the AI-related activities instead of learning the hardware, etcetera.

So, all that problem is getting resolved or solved by Skylus.ai. So that way the adoption is going up, and we are also building our solutions, which can ultimately increase the adoption.

Sandeep Shah:

Okay. Fair enough. Just a follow-up question to what Sanjay sir has said. The pipeline does not include the sovereign AI opportunity from India. Any reason for that? Why? Because this is already been officially launched more than 1 year?

Sanjay Lodha:

So basically, the reason is that what is happening is actually -- as you know that we are always very reasonable in basically showing a pipeline because it's much more mature business. So

basically, once the RFP is just about to be released or something of that nature, it will get reflected into the pipeline. But basically, just when the RFP is still a few months away, we don't like to basically include it into the pipeline. And since it's a large opportunity, so we don't want to basically make our complete projection skewed.

Sandeep Shah: Okay. So sir, in that scenario, once the RFP launch, Sanjay sir, the growth potential could be even higher than 35%, 40%?

Sanjay Lodha: We all wish for that. With me and you are a well wisher, so you will also wish for that. I know that. My commitment will remain the same 35%, 40% only.

Sandeep Shah: Okay. And Ankit, you, in your remarks to the previous question had said if growth continues at 35, 40 or even higher, 30 bps to 40 bps of operating leverage is possible on a Y-o-Y basis?

Ankit Kumar Singhal: Yes. Correct.

Sandeep Shah: Okay. And if I can squeeze the last question. In terms of export opportunities, the 5% to 7% of top line, which export forms, this is for the full year of FY '25, and we expect this to remain at current level in the coming years. That means export business may keep growing at a company average growth rate?

Ankit Kumar Singhal: Okay. So as we have been guiding Sandeep ji that we will gradually work on exports and it will likely to remain consistent and might go 1% higher, let's say, to...

Sanjay Lodha: So basically, the domestic demand is very high, actually, Sandeep ji. You know that very, very well, okay? It is very high. So basically, really speaking, as we committed to the market, we will do exports. So, we started doing it. It's around 5%, 5% to 6% currently. It will remain that and maybe it can go marginally a little bit higher, but I will not like to guide anything beyond that for exports.

Sanjeev Sancheti: So, I would just like to add here, Sandeep, the problem is growth again. See, even if we are at 5%, 6%, we are still growing at 40%, right? So, I mean, it's not easy to increase market share when the company is growing at these rates or the share because everything is growing at that rate. It would be 1% here and there, yes.

Sandeep Shah: Okay. And just the last thing. Ankit, I think there has been a significant improvement in FCF generation in the second half over first half. So, do you believe this can sustain periodically in terms of FY '26, FY '27 or do you believe the skewness may continue to remain where H2 better than H1?

Sanjay Lodha: Can you repeat your question again?

Sandeep Shah: Yes. On the FCF generation, the second half FY '25 FCF generation has been really materially better versus first half. So whether this trend of OCF to EBITDA and FCF to PAT in the second half, what we have reported may continue in a small range going forward. So, what are the changes we have implemented to improve the FCF?

Sanjeev Sancheti: So, I mean the endeavor, Sandeep, was always to get as much cash back into the business. You see our standard terms of credit with the customers is 90 days because they are very large customers. We've somehow been able to push and get early payment because when it is 90 days, it's never 90 days. It can become 95 days, 100 days. So, we have been able to push and get, it may be possible sometimes.

It may not be possible sometimes. So I mean, that's why I'm giving a range of 80 days to 100 days of cash credit cycle. When it is 80 days, then you will have very large cash conversion. Some quarter, if it is 100 days, then the cash conversion may be will be less. But as long as my cash conversion, y credit days are quality credit days. I shouldn't be worried about that. Endeavor is get as much money possible in cash, because whatever inventory is there, it will remain in the system.

Sandeep Shah: Okay. And last thing, because we are growing fast, our base is increasing, we are already approaching 115 for annualized revenue in FY '25. So in the pipeline, you believe now the focus would be more on mega deals, larger deals because that will help us to keep growing at a higher rate. And in pursuit of going behind larger deals, mega deals, there will be some margin competitiveness, which we have to follow because of the higher competition?

Sanjay Lodha: Actually, really speaking, we focus on customers, not the deal size actually because if you see all our customers are very important customers. So the names are more important for us. If it's a large customer and if it's a prominent customer and they have a smaller deal, we'll run for that. So it will always remain basically in that way. But that's the reason we are guiding around 13% to 14% of margin actually going forward. So, I think that we'll be easily able to maintain.

Sanjeev Sancheti: And that's keeping in mind all kind of businesses which may come during the year.

Sandeep Shah: Okay. Thank you. All the best.

Moderator: The next question is from the line of Nikhil Porwal from Perpetual Capital. Please go ahead.

Nikhil Porwal: Hi, thank you and congratulations on a strong set of numbers. I'm fairly new to the company. Most of my questions have already been answered, but I just wanted to know one bit about -- you've mentioned several times your margins are far higher than your peers, which are mostly MNCs. Can you mention about the driver of these higher margins? What's driving the higher margins?

Sanjay Lodha: Good question actually. So basically, welcome to -- for understanding Netweb better, so basically, we are a completely integrated -- we do full stack actually. We design our products. We manufacture our products. Our hardware is completely designed and manufactured by us. And then we have our own software stack. We have R&D like basically supercomputing. Basically, we have our own hardware.

We have our own software stack. So cloud, we have our own hardware, own software, plus the services stack. So it's all very well integrated. Whereas in our competition situation, either they are a hardware company or a software company. So, they do bundling together. Whereas in our case, it's completely end-to-end and the complete solution comes up. So, that really helps us so

as to basically command better margin in the market. That's the most precise answer I can give you at this point of time.

Nikhil Porwal: Understood. Understood. And just adding to that, do you all also -- does this business also include some element of managed cloud service?

Sanjay Lodha: Negligible. No, almost all.

Nikhil Porwal: Okay. And will it be right to assume that the software side of the business, which again is built in-house, commands a far higher margin than the hardware side? I mean, of course, both of them go together as a product, but...

Sanjay Lodha: Yes. So basically, yes, you're right, it goes together as a product. We don't sell our software separately, whatever it is. We always sell it as a solution. Like basically, we sell a supercomputer that's hardware plus software together. And the software revenue doesn't get basically mentioned in our books in our invoice actually. That goes as a product. Same way basically for our private cloud also, same way for our AI also.

Nikhil Porwal: Got it. Sure. Thank you so much.

Moderator: The next question is from the line of Debashish Mazumdar from Svan PMS. Please go ahead.

Debashish Mazumdar: Good evening to the management team. Thank you so much for taking my question. Sanjay ji, Navin ji, consistent performance. Congrats for that. So, I have two questions, which is basically a follow-up what Sandeep was asking. So the first question is around Skylus.ai. Just wanted to understand who is the ultimate user of this product? Will be -- it will be the data center companies or the hardware providers or the ultimate enterprises? Who will be the ultimate user of this product?

Hirdey Vikram: Actually, Skylus.ai is a product which cuts across all the verticals, irrespective of whether you are a standalone system user or you are a large DC to CSP, or you are an enterprise who are trying to build an in-house AI private cloud. So, this is something which is helping all the organizations. The reason for that is that Skylus.ai as a product is basically serving all 3 stages of AI process. One is development.

Second is training and third is inference. And on top of it, it basically serves you with a single unified stack, which basically gets you the resources managed in a way better way, much better way. So that way, it's a product which is designed for all the users who intend to use AI infrastructure.

Debashish Mazumdar: Okay. So if I understand correctly, you are also competing with, let's say, companies like E2E Networks who are also a similar kind of business or it's a very different proposition altogether?

Hirdey Vikram: No, no, no. Basically, we are not a CSP. We are not, basically, cloud service provider. Instead, we are the complete solution provider. So, CSPs can become a customer to us and they may basically be using our solution. There is a possibility, but it's not the possibility that we may be competing with those because they are just the service providers, whereas we are the solution

providers. And they can be our customers, enterprises can be our customers, standalone users can be our customers. That way, we don't compete with them.

- Debashish Mazumdar:** Okay. Understood. So in that case, we are competing with the global MNCs. Is it like that?
- Hirdey Vikram:** Yes. We are competing with local MNCs only. And that too, in their case, I mean, our offering stands out in a very different way. The reason being, as I explained initially that we have got a single unified license, which basically serves the purpose whereas competition has got -- they have to have 2 or 3 different type of license in order to meet the functionality and come near to our offering. So that way, we are very well placed.
- Debashish Mazumdar:** Okay. Understood. And the second question is, again, around the order pipeline. So if you see the pipeline Y-o-Y growth is around 15%. Now, I understand that there are few things, obviously around AI or something, which you have not included in the order pipeline. So, just trying to get some sense is -- is it -- when we are guiding for like 35%, 40% kind of growth, is it like we are seeing our conversion from order book to revenue has improved significantly Y-o-Y?
- That's why we are confident of this kind of growth or otherwise, the deal structures are -- would be very, very different going forward, which is giving us despite 15% order pipeline growth Y-o-Y, the revenue growth expected to be 35%, 40%.
- Sanjeev Sancheti:** Debashish, historically, our conversion has been 60%. And please appreciate that this pipeline, generally, if you look at the pipeline, this is largely -- will be government orders because -- largely government orders because most of the private segment orders get converted very immediately. They are not like a similar structure as government business would be.
- Now on the INR3,971 crores, if it is a 61% conversion and this is excluding the L1 order book, you will be able to figure out that this is reasonably enough for my next 1, 1.5 years of business. And this keeps on growing.
- Sanjay Lodha:** And just to clarify one more thing, order book is 100% conversion. Order book means basically, when something is in the order book, then that gets completed. Even order book for L1 is 100% conversion.
- Debashish Mazumdar:** Yes, Sanjay ji. So, that's why I was asking about the pipeline, but I got the answer. Just one follow-up?
- Sanjeev Sancheti:** Actually, we don't have these private segment orders, which will come without the pipeline process. It will just straight away come, right? Because...
- Debashish Mazumdar:** Is it fair to assume that our private segment pipeline, which is obviously not trackable because of the immediate conversion, there, the traction is significantly high?
- Sanjay Lodha:** You can say that, actually, you can say that. But basically, some part of some private segment also gets reflected into this. Because basically, the gestation because if I try to understand, basically, we are designing solutions. These are high-end compute. This is not box product actually, really speaking.

So basically, if you try -- if somebody wants to design a private cloud, he will take some time to decide on that. Basically, if you are able to design it for him, then only the RFP will be completely in your favor. And basically, we'll be able to deliver value for money to the customer. So, that will take some time. So basically, that's the reason -- but still, if you personally -- I personally feel the gestation period for private orders is not that high. But for government orders, definitely, it is higher. So, some part of it is still there.

Debashish Mazumdar: Okay. One last follow-up. If I see the government revenue as a percentage of our overall business, it hovers around 50%, 52%. So do you think going forward, as you were rightly saying that private pipeline is improving, do you think that number will shift towards private because then my working capital requirement will change dramatically if my business shift more towards private?

Sanjay Lodha: No. I will tell you, working capital requirement doesn't get changed in the government or private. Let me tell you very clearly because my government payments sometimes I'm very -- you'll be astonished to hear government payments sometimes come faster than the private also because basically, all my sales is to large enterprise and they work on 90-day credit term.

So basically, government sometimes even pays before that. And my government is not the general government. It's all government R&D and high-end enterprises. The first part of the question is that. The second is that if you see my all quarterly results, the government business has been hovering between 42% to 50%. So basically, in some quarters, you may see it will be 45% or something of that nature also.

So, what I personally feel it may be 40% to 50%. I don't see it basically improving better than that because I'm seeing a lot of -- because -- and this is not only 1 year or 2-year experience. This experience I'm sharing with you for at least 3 years to 5 years. Basically, we have seen that basically we are able to maintain momentum and 50% -- 40% to 50%, sometimes basically it becomes -- the private becomes 60%, sometimes 40%, sometimes 50%. So it depends on that actually. So it will remain in that range.

Debashish Mazumdar: Understood. Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Saurabh Pratap Singh an Individual Investor.

Sanjeev Sancheti: Can we have this as the last question because we are already beyond time?

Moderator: Okay. Yes, sir. I'll make note of that. The last question is from the line of Saurabh Pratap Singh, an Individual Investor. Please go ahead.

Saurabh Pratap Singh: Sir, congratulations and thanks for this opportunity. Sir my question is related with NVIDIA. How deep is our strategic tie-up with NVIDIA? Post Blackwell launch, are there any exclusive margin sharing or co-development arrangement, sir?

Sanjeev Sancheti: I think the margin deals can't be discussed on this call. These are all confidential business information, which we can't discuss on the call.

- Sanjay Lodha:** And our relationship with NVIDIA is an OEM relationship. We are among the very few partners in the world to design and develop products for NVIDIA. So basically, that's an OEM relationship which we have.
- Sanjeev Sancheti:** Okay. Thanks a lot. I think the Chorus Call people -- Hardik can you please move on to the closing remarks because we are well ahead of time now. If anybody is interested in asking any questions, they can reach out to us at Uirtus or the CFO subsequently.
- Moderator:** As this was the last question, I would now like to hand the conference over to the management for closing comments.
- Sanjay Lodha:** Thank you so much. Thanks for the call. As basically mentioned by Sanjeev, in case anybody has questions, they can reach to our IR team. They will be glad to answer it and basically even our CFO also. So, thank you for your confidence in Netweb. Thank you for attending this call.
- Sanjeev Sancheti:** Thanks a lot for attendance. Thanks, IIFL for -- and Chorus Call for arranging this call. Thanks a lot. Have a great day.
- Hirdey Vikram:** Thank you, everyone. Thank you.
- Moderator:** Thank you. On behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
- Sanjeev Sancheti:** Thank you.