

**May 26, 2025**

**The National Stock Exchange of India Limited,**

Exchange Plaza,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai – 400051.

Symbol: REDINGTON

**BSE Limited**

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

Scrip: 532805

**Sir/Madam,**

**Sub: Q4 - FY 2025 - Earnings Conference Call Transcript**

This is further to our letter dated May 14, 2025, intimating the details of Investor/Analyst call on the audited financial results for the quarter and year ended March 31, 2025, held on May 20, 2025. No unpublished price sensitive information was shared/discussed in the meeting/call.

In this regard, we are enclosing herewith the transcript of the conference. The same is available in Company's website at <https://redingtongroup.com/wp-content/uploads/2025/05/SGA-Redington-20May-2025.pdf>

We request you to take this information on record.

Thanking you

**For Redington Limited**

**K Vijayshyam Acharya**  
**Company Secretary**

Encl: a/a



## “Redington Limited Q4 FY '25 Earnings Conference Call”

**May 20, 2025**

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 20, 2025 will prevail.”



**MANAGEMENT: MR. V.S. HARIHARAN – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – REDINGTON LIMITED**  
**MR. S.V. KRISHNAN – FINANCE DIRECTOR (WHOLE-TIME) – REDINGTON LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Redington Limited Q4 FY '25 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hariharan – Managing Director and Group CEO. Thank you, and over to you, Mr. Hariharan.

**V.S. Hariharan:** Thank you. Good morning, everyone. This is Hariharan. I am really happy to share with you our Q4 '25 results. All figures and numbers that I am going to mention are exclusive of Paynet divestment gains.

This has been our best Q4 so far with a quarterly revenue recorded of Rs. 26,510 crores at a quarterly profit of Rs. 400 crores. Our revenues for the quarter grew at 18% and profits at 23% year-on-year. Overall, PAT percentage was at 1.51%. And excluding Arena, the PAT percentage was at 1.73%. It has been a continuing story of profitable growth, with growth coming back strongly. Very good execution across business segments and geographies contributed to the performance.

From a geography perspective, the revenue growth was contributed by a strong growth in India at 26%, UAE at 24%. We are also seeing signs of growth recovery in the Kingdom of Saudi Arabia at 7%. And Africa has continued its momentum both East and West Africa at 11% year-on-year growth rates. All in all, we had good growth across most of the geographies we are in.

From a business unit perspective, all business units registered good growth. Cloud Solutions Group continued to lead with a stellar performance of 41% top-line growth, and continued success in the hyperscaler business and subscription software in our portfolio. CSG, as said before, this quarter too contributed well to our profits and to above average net profit.

The technology Solutions Group consisting of server storage and software grew well through this quarter at 28%. There was good enterprise demand. There were quite a few big deals both in India and Middle East and Africa, and many new software contracts that had been signed during the year which yielded in additional revenues.

The Mobility Solutions Group also did well this quarter at 18% growth on the back of several premium mobility brands performing well on a variety of routes-to-market. And the Endpoint

Solutions Group with the PC business was steady at 11%. All in all, you can see all the business units pulled in good growth performances.

The business teams and operations did an excellent job on management of working capital, and we achieved a 34-day closing working capital, which is same as compared to the previous year Q4. ROCÉ was at 21% (Clarification: 21% ROCE is for FY25, ROCE for Q4FY25 is 24%).

Our working capital performance coupled with the lower interest rates helped us in lowering our interest cost. OPEX control was also very good on spend this quarter and grew much slower than revenue growth, giving us good operating leverage. Our subsidiary, Arena, continued to do a good job in managing the operating expenses as well.

With regards to the Paynet divestment that was shared the last few quarters from Arena, all approvals were obtained during the quarter, and the deal was closed, and the proceeds of INR 626 crores, roughly US\$74 million, was received, net of related expenses. Out of the sales proceeds, a large part of this has been used to repay Arena's debt position, resulting in significant reduction in interest and finance costs. This should have a positive impact in the Arena performance in the upcoming quarters.

Let us speak a little bit about FY '25 in aggregate since we have closed the year. We have had a really good FY '25 with a record revenue of Rs. 99,562 crores, just a bit shy of the Rs. 100,000 crore mark, profit of Rs. 1,340 crores, a growth of 11% on revenue and 10% on profit after tax.

During the year, we have managed to get many of our businesses healthier. We have streamlined our investments on areas that have greater ROI and taken advantage of market trends. Our Software Solutions portfolio consisting of the hyperscaler business, pure software, and the security business is now a little bit more than 15% of our entire portfolio. Our plan going forward is to drive faster growth across the software portfolio.

We are also building an AI strategy that will encompass bringing brand-enabled AI solutions to our customers, AI enablement on our digital B2B platform, and enabling our operations with AI to improve productivity and provide predictive analytics.

With the new growth trends that we see on cloud, AI digital transformation, we remain optimistic on the outlook going forward. The uncertainty from the tariff changes and the geopolitical tensions in many of our geographies are areas we are closely watching, and we will respond as needed. Q1 is normally our soft quarter of the year, but we hope to execute well based on the addressable opportunities and retain our share in the market.

We had deliberations at the Board yesterday, and we are happy to declare Rs. 6.8 per share of final dividend for the year ended 31st March 2025. The dividend amount for FY '25 is similar to FY '24 dividend, and this constitutes nearly 40% of our total profits for the year without considering the one-off impact on account of Paynet divestment.

The Company feels there are opportunities for investment which will help faster growth, and we will plan accordingly. We look forward to your questions. Thank you.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question comes from the line of Sarthak Nautiyal with Eraya Capital. Please go ahead.

**Sarthak Nautiyal:** Hello, sir. Thank you for the opportunity of asking questions. Sir, I just want to know one thing. What will be the margin guidance over the next 3 to 4 years from now?

**S.V. Krishnan:** See, after the COVID period, if you see, there has been a reduction in the margin and those are on expected lines. We feel because of the composition change, like what Hari mentioned, the focus is on software subscription and the cloud business. We think moving forward because of the mix change, there can be an advantage, but this could be slow and steady.

**Sarthak Nautiyal:** So, sir, can we expect 3% kind of EBITDA margin?

**S.V. Krishnan:** Sarthak, I don't think it is possible, at least in the immediate future. We have been talking about between 2.3% to 2.5% of operating profit. We will be happy if we are able to stay in this consistently, but definitely, as I have said, because of the focus on the software and this thing-subscription vertical, we think this can go up in future, but I think for now we should stay with between 2.3 to 2.5%.

**Moderator:** Next question comes from the line of Sarvesh Gupta with Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Good morning, sir, and congratulations on a good set of numbers. Sir, one thing that I wanted to explore further was in the rest of the world, we are seeing almost a 0% gross margin sort of a growth, in terms of the gross profits. So, can you please throw some light on that?

**V.S. Hariharan:** Okay, first of all, this also includes the Arena, as we discussed. The last one year had been a challenging time there, even though every quarter starting from Q2, we had been bettering the performance. So, it will take some time for that unit to get revived, which is inbuilt in this rest of the world. But otherwise, the margins are broadly stable, Sarvesh. But having said that, as I have said, post COVID, there has been some erosion of margin which was expected and that's felt even in the rest of the world business.

**V.S. Hariharan:** Yes, but I think the rest of the world is excluding Arena, their margins have also fallen on a gross basis.

**S.V. Krishnan:** It has. Let me tell you, in Q4, the margin growth in the Middle East and Africa is about 5%. The margin growth in RTT, Redington Turkey is about 14%. So, in those units, there has been margin growth. But having said that, the margin percentage, yes, has come down.

**Sarvesh Gupta:** And going forward, do we expect further erosion in the gross profit margin or do we expect it to be steady?

**S.V. Krishnan:** I think we should be able to maintain this. I mean, there can be some mixed change, but otherwise, broadly, we should be able to maintain this.

**V.S. Hariharan:** Yes, some of the key trends, just to add to Krishnan, we are seeing obviously a bit more large deals in the technology solutions group. So, those will come at a slightly lower margin, and those are addressable opportunities. We need to take advantage of them.

But if you talk by category, the Mobility category, the Endpoint Solutions category, the run rate Technology Solutions category, and the Cloud should largely the margin percentages, we expect to be the same. The mix change and the larger deals in Technology Solutions will be the only two that will change the overall weighted margins for us.

**Sarvesh Gupta:** And sir, one more thing. On the other expenses side, so that has come down a lot in this quarter. In fact, for the full year also, it has come down by a single digit percentage. So, any color on that?

**S.V. Krishnan:** See, overall, there is a very high diligence and control on the OPEX for us. That is something that we have established across all the quarters, and we have also spoken about it. Because of better management of accounts receivable and lower Forex loss, these two are the main contributors for the reduction in the other expenses.

If you recollect the previous year, we had some challenge in countries like Egypt etc., which did not happen in FY '25.

**Moderator:** Next question comes from the line of Vivek Desai with Investec India. Please go ahead.

**Vivek Desai:** Hi. So, my question was regarding the ROW margins excluding arena. So, the margins this quarter is at around 6%, which is a dip over the last year. So, is it sustainable or we could see some changes over here? And the other question is regarding what is the factoring margin for the quarter?

**V.S. Hariharan:** Is it sustainable? It should be sustainable because in Redington Turkey, predominantly our business is the software subscription businesses, which are generally high margin. And while the cost of operations are higher in the overseas market and there is a corresponding increase in the gross margin also. So, to your question is it sustainable, the answer is yes.

Regarding interest and factoring cost for the quarter both put together is about Rs. 110 crores vis-à-vis Rs. 186 crores Q4 last year and Rs. 155 crores in Q3 current year.

**Moderator:** Next question comes from the line of Aejas Lakhani with Unifi Mutual Fund. Please go ahead.

**Aejas Lakhani:** Congratulations to the management team again on a phenomenal set of numbers. Again, credit to where the management has been recasting the ship and the direction in which you are taking the business. So, a couple of questions.

So first is, could you just give a broad thought process on the outlook that you expect region-wise and business mix-wise in terms of enterprise as well as mobility for FY '26? And also, if you could call out that from an OPEX perspective, Krishna sir, ex of these Forex losses that have taken place from FY '24 to FY '25, what has been the OPEX growth at a steady-state level? And also given that we have been sort of shrinking the OPEX cost very mindfully, do we require increased OPEX cost?

**V.S. Hariharan:**

Thanks, Aejas. On the first question in terms of outlook and guidance, clearly we continue to see higher opportunities on the value side of the house, both in the rest of the world as well as India. And that includes both the Technology Solutions group, both on the server storage, data centers, as well as software and the cloud business. So, we see that as the bigger growth opportunity and more opportunities there.

The mobility part of the business continues to surprise us. The market actually grew a low single digit in the regions we are in, but we have actually been able to grow double digit through a combination of good work done on the premium segment working with the premium brands.

The early part of the year, we continue to see good strong growth in the mobility segment. The rest of the year will depend on the NPIs and how the market pans out on tariffs and everything else. But definitely we do see growth on mobility continuing to be there in the early part of the year, Q1 and Q2, but we will see beyond that. But the value side, we see continued strong opportunities and growth. And even recently, both in Saudi Arabia and UAE, there have been a lot of investments committed by big brands and the U.S. in terms of more commitments and investments on AI and we will take advantage of those in addition to India.

**S.V. Krishnan:**

So, on the OPEX, Aejas, our growth in the current year, overall, except for AR provision and Forex, is about 12%, which compares well with an 18% growth in terms of revenue. For the full year, the growth is at about 6%. So, very clearly, we had focused on it. Wherever we think there are possibilities for reduction optimization, that had got done.

To your question on the future trajectory, maybe we have gone slightly overboard in terms of OPEX control. We are very conscious. I mean, we will make sure that we don't incur unnecessary OPEX, but having said that, investment into the future is important for sustaining the growth into the future, mostly in IT related cost, the people related capability investments etc. Definitely we will be mindful and wherever we think there are investments required, we will not make any compromise.

Next on the business mix, the contribution, yes, Hari mentioned about the growth rates, so I will again repeat ESG for the quarter grew by 11%, TSG by 28%, MSG by 18% and CSG by 41%. The contribution to the total revenue is ESG 30%, TSG 28%, MSG 35% and 5% from CSG.

**Aejas Lakhani:**

Got it, sir. Thank you for that. Sir, just could you spend a minute or two to walk us through what could be the tariff related challenges from a supply chain perspective as well as the geopolitical situation that India and Turkey have on our business.

**V.S. Hariharan:**

All right, let me talk about the first topic first. So, we are following closely the tariff situation and many of the leading hardware brands have started looking at diversification of manufacturing operations. The direct tariff impact on the geographies we are in, there doesn't seem to be any short-term impact.

However, we can expect some supply chain disruptions because people are putting capacities in different places and if for some reason, there is an upside or a downside in the geography and the sourcing was coming from one place and the source is now coming from multiple places, there could be some supply chain disruptions.

Near term, we don't see any supply chain disruption that has affected our business, but we are watching this closely and see how it evolves. But from a pricing and demand perspective, because of the prices going up, we have not seen a direct impact. So, that answers the first question.

The second one is India, Turkey. See, we are an Indian headquartered Company, and we really are proud of our heritage and values, deeply rooted in India. And we are a global Company. We are in 40 countries. And it's purely commercial. Our presence and work we do is managed by a local team. So, we don't see there is no political inclination to any of the businesses we are in. It's purely commercial. So, we don't see any impact on this.

Obviously, we need to continue to watch the sensitivities and to manage our business in a way that we uphold our country values and at the same time manage and do good business. So, that's what I would say for now, Aejas.

**Aejas Lakhani:**

And sir, finally, could you just talk about how Saudi is shaping up from a demand perspective? UAE seems to be doing extremely well. So, could you just give some incremental more color of what are, again, you have mentioned earlier in the past that digitization endeavors that Middle East is putting in is driving demand, but anything incrementally you are seeing on the ground in UAE, as well as the outlook on Saudi? And also, sir, in the India front, if you could texturize or granularize the rate of growth that we are seeing and what pockets are you really seeing this growth from?

**V.S. Hariharan:**

So, Saudi, clearly it was on a growth path. And there was a reset last year because of the re-prioritization we talked about on the government investments and the public sector investments. That's clearly been now corrected, and that has come out very clearly. And in the recent few months, we have seen stepped up discussions on investments on AI infrastructure, etc.

So, if I had to look at where this market is headed, there could be multiple things. Short term, clearly it will all be around the value infrastructure to take advantage of the value infrastructure in Saudi that's being put in place by the big brands, whether it's Microsoft, AWS, Google, and on the back of that, the big brands like Dell and HPE selling AI PC into the market. So, that is one version we see.



Clearly, there will be a catch-up that will happen on PC penetration and mobility penetration when the AI PC adoption increases, but that's going to take a bit more time. So, the early part we will see there. And then we will also see continued growth on software because the digital infrastructure and the data center infrastructure as that gets on, the cloud market in Saudi is behind the rest of the world and that's going to grow rapidly.

So, the two places that we see the biggest growth because of the infrastructure will be in these two areas. The mobility business and the PC business for now will continue the current trajectory. That's on Saudi.

On India clearly we see growth on multiple fronts, and the value business will continue to grow with the data center. It is still a long way in terms of what is the capacity needed and what is being put in place. Those will obviously, there will be a lot of big deals and we will have to see which ones we get into and which ones we don't because these are lower margin deals with payments which are more challenging than usual. So, you will have to manage working capital and payments. So, that will continue to be a big growth area as well as software.

Upcountry clearly will be an area of growth, Aejas. And so we are looking at all possible ways to shore up our upcountry investments. So, our direct to retail, our regional large format retail initiative, all of those will play into those. So, we see good growth there.

We also see a lot of the new initiatives that you see and a lot of new areas of growth like GCC. There are many GCCs that are coming up in India and they have a large capacity to consume both hardware and software. That we see as an area of growth.

The number of startups in the startup ecosystem will be a big consumption factor and AI services will be an area of growth. We are watching all these closely in terms of very specific, precise actions on how we can take advantage of these.

So, largely for India will be the value infrastructure, the premiumization and touching the premium market as well as the new areas like GCCs and startups, etc.

**S.V. Krishnan:** Aejas sorry to pitch in. On the earlier point on OPEX for the full year, the growth wasn't 6%. It is 8% and this OPEX is without AR provision and Forex. Thanks.

**Aejas Lakhani:** Oh, got it, sir. So, sir, quite a significant amount of saving has come from the OPEX curtailment. Got it, sir. And Krishnan sir, just one thing lastly is, could you call out what has just been the factoring cost for FY '24 and FY '25? Just the broad number. And also sir, given that factoring cost has run down to about Rs. 38 crores, how should we think about this for FY '26?

**S.V. Krishnan:** So, for the full year, both factoring and interest cost is about Rs. 531 crores vis-a-vis Rs. 706 crores for last year. We discussed this in the earlier calls, Aejas. See, with the Paynet consideration coming in, our objective is to reduce the debt. That debt reduction will happen mainly in factoring because that is a higher cost. So, you will see factoring cost coming down

quite substantially. The overall interest in factoring cost should come down there and mainly it will be in the factoring cost. For the quarter it is about Rs. 28 crores.

**Aejas Lakhani:** Noted, sir. Thank you and wishing the team the best.

**Moderator:** Next question comes from the line of Sahil Doshi with Thinqwise. Please go ahead.

**Sahil Doshi:** Hi, sir. Thank you for the opportunity and congratulations on a fantastic set of numbers. Just a few data keeping points. Firstly sir, could you call out what is the Forex loss impact in Q4 and in the full year as well? And second on the depreciation, we have seen some kind of an increase this quarter. So, is there some kind of a one-off here as well?

**S.V. Krishnan:** So, the Forex loss, one second. Yes, for the quarter, it is at Rs. 16 crores vis-a-vis last year, about Rs. 3 crores. Okay. Out of this, about Rs. 11 crores to Rs. 12 crores relates to mark-to-market loss, which was a gain last quarter if you see the financials. In India, because of the exchange rate movement, it did depreciate quite substantially in Q3 and appreciated a bit in Q4. So, that mark-to-market was expected to come and hit us in Q4. So, that's what has happened. If you remove broadly, it would be about Rs. 3 crores, Rs. 4 crores this quarter.

And your second question was on the depreciation. Yes, there is some one-off depreciation cost in the current quarter that relates to our digital platform. We had transitioned to a new digital platform last quarter for our online trading, B2B trading, and that resulted in some write-off of earlier CAPEX that was there.

**Sahil Doshi:** So, could you quantify the Forex loss for FY '25 and also this one-off in depreciation? That will be helpful.

**S.V. Krishnan:** Okay. For last year, the Forex loss was Rs. 50 crores for the full year FY '24. This year, it is Rs. 14 crores. One-four. There is a 72% reduction and as I have said for the other query, this Rs. 50 crores last year was mainly on account of Egypt, where we had some challenge. Depreciation, I need to come back. I don't have the amount readymade, but I will come back in few minutes.

**Sahil Doshi:** That's helpful. Just second one, sir, if we see the improvement in Arena had been quite sharp from Q2 onwards, but we have seen moderation in the EBITDA margin, if I see, in this quarter. Just wanted to get a sense, how is the scenario there in terms of the business environment and how should we think about it incrementally?

**V.S. Hariharan:** Yes, so, see, there were two, three factors at play there. One was the interest rates, which was very high on the lira side of the house. And that had affected us in a way because the 50% plus interest rates on the working capital usage.

The second one was the sharp decline in the market itself. The PC market declined in Q2 double-digit, high double-digit. So, we had to take a series of actions, as you know, that we called out in the previous two quarters. In terms of our overall working capital, we managed our

inventories, we managed our receivables, and we also managed our OPEX, which is what helped us recover from the Q2 to the Q4 situation.

We are now largely getting on top of that. And combined with the Paynet proceeds that come into solving the debt on the working capital problem, one is the business is more better managed when it comes to inventory and receivables and lower OPEX. And two, this money will help us reduce our interest costs in a big way. So, I see things are only going to improve from here.

**Sahil Doshi:**

So, sorry, if I can rephrase this question, sir, if I see sequentially in Arena, we have seen a deterioration in the EBITDA margin level only. Gross margins have improved, but the EBITDA is down from 1.9 to 0.36. So, my worry was meaning worry or my question was that we were seeing a sharp improvement from Q2 and Q3, but we have seen a deterioration in Q4. So, is there a quarter specific phenomenon or the pace of improvement which we were seeing is not being visible now is basically the delta in earnings is what I was trying to understand incrementally going forward.

**S.V. Krishnan:**

See, in Arena, there is an impairment loss of about 2.9 million in the current quarter. It is also reported in the financial note Sahil. And this relates to an investment that was done in a VDF, I mean, Vodafone agreement there. That is a significant impact about Rs. 25 crores in the financials this quarter.

**Sahil Doshi:**

That helps. And sir, just on Saudi in the opening remarks, you mentioned the growth was around 7% if I am not wrong. Could you just quantify how big is Saudi as a geography for us? And incrementally, we were envisaging that this would be the biggest growth driver for us in terms of the geography. So, where do we stand today and how do we think about this two to three years out or something like that?

**V.S. Hariharan:**

So, Saudi is the third largest geography in our overall geographies that we have. India followed by UAE followed by Saudi. The year before last we ended Saudi with almost \$1.5 billion in revenue. But this year, the year that's gone by, we declined partially as I mentioned before because of the prioritization of the government investment in IT etc. We do expect a good strong double-digit growth coming back in Saudi both in the coming year and future years. Because all parts of the market as I mentioned earlier, it's not just the infrastructure side.

If we look at the mid-market, there is a very big mid-market in Saudi that's going to grow. Even the PC penetration in Saudi for a 36 million population, there are only 5 million PCs in the market. So, it is a market ripe for growth starting from infrastructure all the way to consumption at the consumer mid-market level. So, we do expect the next three years to be a good strong double-digit growth.

**Sahil Doshi:**

And just lastly, if I can take one, if I see the mix you will give based on your customers, and if I see the top two customers, the pace of growth basically has been much weaker than our overall revenue. For example, Apple growth is only 9% for the year and actually HP is degrown for this year. So, could you just possibly call out what's really playing out here?

**V.S. Hariharan:** It's hard to call out specific items related to brands, and it depends on what happens in the course of the year with the actions by the brand. So, we don't really comment by brand. But if you largely look at Mobility as a category, we have grown 18% for the quarter and we have grown double digit for the year as well. So, the Mobility premium category is definitely growing well, and we have done well for all of the Mobility brands including Apple in India. So, that's one part of the question.

On the PC side of the house, clearly the market is growing slower. We have really not got the Windows 10 to 11 refresh and the AI PC push yet, and we are hoping the second half of the year, coming year with the 10 to 11 reaching an end of life we will get that push and things will do better. So, it will be, I can only comment about categories broadly rather than talk about specific brand growth.

**Sahil Doshi:** Appreciate that. Thank you so much for your comments and best wishes to the team, sir.

**S.V. Krishnan:** Again, for your earlier question, the one-off depreciation on account of this digital platform this quarter is about Rs. 5 crores.

**Moderator:** Next question comes from the line of Nirmam with Unique PMS. Please go ahead.

**Nirmam:** Sir, my question is on the software business. You mentioned that it is now 15% of the overall business. So, how do you see this business shaping up in the next two to three years? What is the kind of growth rate that we are seeing? And also since the pie of software increases, how will it impact our working capital and our return on capital employed?

**V.S. Hariharan:** So, when I say software, we look at three areas. One is the hyperscaler business, the pure S-a-a-S business, software-as-a-service, and the security business. These three we are combining when we talk about software. This is roughly \$1.8 billion out of our portfolio. And this is growing at 20% plus today.

But if I go deeper into this, there are pockets that are growing at 40% to 50% and others that are not. So, clearly, we have some work to do in one, getting the complete portfolio of products. Two is to looking at what actions we can take to drive growth and to get our fair wallet share in each of the categories we play in. And so that's what is going to happen.

But if I had to comment what is the growth possibility and what is available, clearly all these areas put together we can grow anywhere between 30% and 40% when we are growing at about 20% plus right now. Now it will depend on our actions for us to be able to get the right wallet share here to be able to participate in this category fully as well to take advantage of that growth.

Your second question was on...

**S.V. Krishnan:** Working capital and ROCE. Yes, working capital on a comparative basis will be lower in this part of the business because the inventory carrying is relatively less and accordingly, the ROCE

will also be better. Number one, the margins are better. Number two, the working capital is comparatively lower.

**Nirmam:** And sir, secondly, on the Arena business, you mentioned that factoring costs would be low. So because of the debt reduction, we will have benefits on the interest side also. But in terms of business, you see the market coming back, what is happening on the demand side. What time do you see Arena stabilizing for us?

**V.S. Hariharan:** We believe the worst in terms of decline is over. Having said that, the credit card business continues to show a decline because of the high interest rates. And IP is most impacted by that. So, that's largely in the consumer and mid-market space. But while we don't see a growth coming back in the coming year, we see flattening out of growth. So, we will see better year-on-year compares on terms of demand and top line.

And beyond this year, hard to comment because we had to closely watch what is going on in the global markets as well as what actions happen in the country. But we don't see a very sharp decline like 15% to 20% decline in growth that happened in Q2 and Q3. We expect it to be more flattening out in the coming year.

**Nirmam:** That's it from my side.

**Moderator:** Next question comes from the line of Vivek Ramakrishnan with DSP Mutual Funds. Please go ahead.

**Vivek Ramakrishnan:** Hi, good morning. Sorry, I joined the call a bit late. I have just one question. With all this tariff, what is going on, suppose there is a reduction in tariffs for electronic goods. Will that affect your inventory and would you have to take an inventory loss or do you have any kind of protection against that? That is my only question.

**S.V. Krishnan:** Normally unlikely, but all this we will know only as thing pans out, Vivek. At this point in time, it is more speculative, but we are very closely tracking this. We are also very closely connected with each of the vendors in terms of what is their strategy. It's just not the tariff reduction at India in, where do they manufacture? How much that country is being charged? So, all those are part of our planning.

**Vivek Ramakrishnan:** Okay, I understand that. But my question was also more in terms of accounting, because eventually, let's say they cut tariffs on something from 10% to 5%, or let's say there is a customs reduction, regardless of tariff wars, that means the inventory losses, how do you take it into, I mean, do you have to just write, you know, take the inventory loss on the books? Or there is some back to back that you have already talked to the manufacturer which might help protect you?

**V.S. Hariharan:** Normally tariffs are not part of the, I mean, the back-to-back contractual arrangements with the vendor. If I need to answer you simply, the answer is yes, we have to take it. But in this business

there are always push and pull. And we have seen in the past all these situations our business constituents have handled it well with the vendors.

**Moderator:** Next question comes from the line of Rucha Somaiya with Old Bridge Capital. Please go ahead.

**Rucha Somaiya:** Apologies if these questions are already answered. My first question is on cloud. You mentioned the great cloud opportunities, but currently we only get about 4% of revenue from this segment. So, are you looking at a high single-digit contribution from cloud business? What is your outlook on cloud? That would help.

**V.S. Hariharan:** So, see what we call out as Cloud Solutions group is 4%, which is basically the hyperscaler business, largely, and a little bit of SaaS. That's why I alluded to software in general, because when it comes to clouds, you can't think about hyperscaler separately, software-as-a-service separately, security separately, and increasingly, a lot of these are sold both as licensing and subscription, and they all contribute to cloud overall business and opportunity.

So, all of that put together is roughly 15% of the business. And that's how we want to look at it because that part of the business has potential to grow at 40% to 50%. So, 4% is only the hyperscaler part of the business. And that actually turns out to be 5% this quarter. We are increasing the contribution from the hyperscaler part of the business as well.

**Rucha Somaiya:** And the kind of margin trajectory around these segments, if you can give us some color on this?

**V.S. Hariharan:** So, see, somewhere between 5.5 and 6, so it is on the higher side, is what we appropriate from the pure resell and the subscription model. And there is additional margins to be had on professional services, which can be anywhere from around 20% plus. And we are also building a smallish professional services business, which is important to build competency and capability in-house, as well as bring the resellers together with us and to add more value to this entire business and to create stickiness for customers and resellers.

So, the pure resell consumption on the subscription models will be between 5.5 and 6. In some more value driven software, margins could be even higher, but the professional services could be 20% plus.

**Rucha Somaiya:** Sir, my next question is on the brand partners. I understand you don't comment specifically, but any color on this side would be great. I see that the contribution from Lenovo has been increasing and I understand that that is a high margin segment as such. So, do you expect that to go up in the coming quarters?

**V.S. Hariharan:** Yes, hard to comment specifically by brand, but clearly the work that the brand does in the market and what they want to do with them, combination of the strategic actions that we work together contributes to growth in a particular brand. But if you see the mobility part of the segment on the premium side is growing in India. We have taken advantage of that and there is a portion of that in Lenovo.

Similarly, the PC market I mentioned earlier is a single-digit growth. So, if we are gaining share then and we are participating in that, then that will contribute to our growth. So, those are the two things that I would talk about, but I cannot specifically say about a brand what happens.

**Rucha Somaiya:** That helps. And the last question on the working capital side. I see that there has been a spike of about Rs. 1,500 crore in trade receivables because of which working capital has been hit. So, what kind of stability do you expect in the trade receivable segment?

**S.V. Krishnan:** you need to look at the overall working capital. I am sure you will appreciate things are under tremendous control. While we had said between 35 to 40 days as a range, we are lower than that band, right? But within that, yes, AR days had gone up and we are working on it and that's the market scenario. It is just not on Redington, but what we had done uniquely is we had reduced our inventory quite sizably and increased our payable days to compensate for it.

**Moderator:** Next question comes from the line of P. Venkatesh with Corporate Database India Private Limited. Please go ahead.

**P. Venkatesh:** Just wanted to know, we have referred to the TSG segment seeing more large deals, which can come at lower margins. So, what would be the proportion of large deals in the overall revenue mix? And secondly, what would be the debt on the books of Arena presently? And to what extent we are seeing a reduction, will we be seeing a reduction in it? And thirdly, will we see any further impairment loss in the books of Arena?

**V.S. Hariharan:** So, let me answer the first question. It's hard to comment because the deals happen every quarter and I would say the large deals will be less than 20% of our business. The run rate should definitely continue to be around 80%. But it can vary. Some quarters can be higher and some quarters can be lower. But largely it's a smaller portion. For the next few couple of questions, I will ask Krishnan.

**S.V. Krishnan:** Arena debt levels are currently at about \$170 odd million. This money that we have got is about \$70 million. So, ideally, it should come down to about \$100 million. But having said that, we expect the growth revival to happen and to that extent, the debt levels can get adjusted. Impairment, we don't expect, but I mean, if there are any adverse conditions, we obviously need to test each of the assets for impairment and as and when there are anything, we will let you know. But as it is, the goodwill that is there in the books are quite limited, Venkatesh.

**Moderator:** Next question comes from the line of Amit with HG Hawa. Please go ahead.

**Amit:** Thank you for the opportunity, sir, and congratulations for good set of numbers. Sir, my question was connected to circular economy. Like what percentage of products sold are now part of refurbishment and reuse programs?

**V.S. Hariharan:** Good question. So, we have just started the circular economy pilot in India six months back. And we are only engaged in one part of the ecosystem, namely sourcing. And what we do is we

work with our channel partners, resellers, and some big, large customers to source products. And it ranges from PCs to servers to storage. We have roughly had about 80 to 90 RFPs and we have already won about 40 of them and executed 40 of these.

And the way we do this is we source these products and we make sure that we work ethical, take them to ethical refurbishers or recyclers. I would say, largely, it is more recycling than refurbishing that we have worked on till now. But we are really working on this, learning from it every day, and we are trying to see how to scale up.

So, right now we do it only in India. It's very hard to put a number around it. But definitely seems like a very good area to be engaged. It's doing good to the world as well as there is gross margin in this business to be had because there is a ready-made ecosystem on both recycling and republishing that's evolving both in India and in Middle East.

**S.V. Krishnan:** If I can add on, Amit. As far as ESG is concerned while on one hand we have ESG and CSR going in parallel, we also have built businesses around it and that's our focus also. So, I mean Hari's objective is definitely to make sure we make a societal impact in the business that we do.

**Amit:** And sir, one different question. Can you share one key insight which we must have discovered in the past 3 to 5 years, which is very unique to understanding our business well?

**S.V. Krishnan:** Sorry, I haven't figured out your questions. What is that insight?

**V.S. Hariharan:** Yes Amit.

**Amit:** Can you share with me one key insight like which we must have discovered in past 3 to 5 years which is very unique to understanding our business better?

**S.V. Krishnan:** Be disciplined. Focus on balance sheet hygiene.

**Moderator:** Next question comes from the line of Pratik Kothari with Unique PMS. Please go ahead.

**Pratik Kothari:** Sir, just a couple of clarifications, this inventory and receivable provisioning for the quarter and the year.

**S.V. Krishnan:** Okay, so for the quarter, it is reversal of inventory provision by 7 bps and AR provision by 6 bps. So, there is a lot of, if I may say, cleanup that had happened. But for the full year, inventory provision is about 1 bps and bad debts about 6 bps, lower than what has been our traditional average, which is about 5 bps in inventory and about 10 bps in AR.

**Pratik Kothari:** Correct, and I believe from next year we expect the tax rates to go forward, right? So, if you can just highlight the number there.



**S.V. Krishnan:** So, we had guided for about 24% to 26% of tax rate for the current year. That was because if I go back to the earlier calls, we said in some of the markets the tax rates are going up. Particularly in UAE, where it was 0%, it has moved up to 9%. Next year, the global minimum tax is coming in impacting some of the economies including the UAE where from 9% it will move to 15%. So, we expect next year, the tax rate should range between 25% to 27%, maybe closer to this thing, 27%.

**Moderator:** Next question comes from the line of Sarthak Nautiyal with Eraya Capital. Please go ahead.

**Sarthak Nautiyal:** Sir, I have three questions. First, can you tell us more about the product mix change over next two to three years? Also, what could be the revenue expectations for the same period? And my last question is, as Apple is now manufacturing more in India, how it will affect our business?

**V.S. Hariharan:** I think we talked about many different points, but product mix change, clearly, we see a larger part of the mix to be from software, which I mentioned 15% it is today across the three categories of software. So, we expect that to go higher. I wouldn't hazard a guess, but we will definitely, today it's 15. We should be more than 20 and higher as a percentage of our total business.

Clearly, the Technology Solutions Group as a mix also should be higher because that's the part of the business you have already seen it's grown between 25% and 30% over the course of the quarter and high double digit during the year. So, mix on both those will go up.

I wouldn't be surprised. The PC market has been somewhat muted and growing single digit, both on the Windows 10 to 11 refresh and the AI PCs becoming real. We do expect in the next three years, may not be only in the coming year, the Endpoint Solutions being a larger, growing faster and being a good part of the mix as well.

So, if I had to hazard a guess, higher growth rates will continue to be on software followed by value hardware, but the PC could continue to come back strongly, which has not been the case for the last year, year and a half.

In terms of revenue expectations, again, we don't provide guidance on growth and revenue expectations, but I can talk a little bit generally about the market. Clearly, based on Gartner, the IT growth rates for India is going to be more like 10% to 12% percent. And in the Middle East, it's going to be like 8% to 10%. But that's the overall IT. Within that, the cloud part of the business is expected to grow at 18% to 20%. And with this huge investments in data centers, that could be more.

So, clearly, from a market perspective, in the three big geographies, which are 75% of our total business, which is India, UAE and Saudi, there is a growth rate of about 20% to be had. Now it will depend on how we execute, what we can take, what is appropriate for Redington, basis margin, and basis all of the other factors that we work on. It will depend on that. So, there is a growth possibility available of 15% to 20% in these three markets alone.

And specifically on Apple, I can't comment specifically on the brand. Obviously their manufacturing in India is good for us because the responsiveness on the capacity required to fulfill the demand is there, and over time, pricing advantages, multiple SKUs, etc., the advantage should be there for us.

Our job is to work on the distribution part of the Apple business, and we are trying to do as good a job as we can on the different routes to market that we work with them, and maximize that. And that's not just limited to retail, but goes into enterprise as well, because the Apple PC business is growing very well and we work closely with them in terms of getting that business to bigger heights.

So, that's answering all your questions. If you have any other things that I missed out, let me know.

**Moderator:** Next question comes from the line of Rucha Somaiya with Old Bridge Capital. Please go ahead.

**Rucha Somaiya:** Hi, thanks for taking my follow-up question. Now, one last question on the capital expenditure front. I see that the capital expenditure is a little bit spiked. So, any kind of color and what kind of CAPEX are you looking forward in the coming quarters?

**S.V. Krishnan:** Our CAPEX, Rucha, has always been limited. And this CAPEX is more specific and that too has happened more in ProConnect because of the new businesses that they had got, but otherwise it will range between Rs. 40 crores to Rs. 60 crores per quarter.

**Rucha Somaiya:** So, it will stabilize at that range in the coming quarters, am I right?

**S.V. Krishnan:** Yes.

**Rucha Somaiya:** Thank you for taking my question.

**Moderator:** Next question comes from the line of Sahil Doshi with Thinqwise. Please go ahead.

**Sahil Doshi:** Thank you for the follow-up. Just wanted to check on ProConnect, sir. Could you call out what are the full-year revenue and PAT numbers and what's the outlook for ProConnect?

**S.V. Krishnan:** The full-year revenue for ProConnect consolidated is about Rs. 957 crores. That is at a consolidated level. It continues to have an operating margin of about between 10% to 12%. And the profit after tax has been very good the current year, close to Rs. 30 crores.

**Sahil Doshi:** And could you just throw some light in terms of what is the outlook on this business for the next 2 to 3 years, and at what stage and scale could we look at possibly monetizing or making it an independent business or a subsidiary in that sense?

**V.S. Hariharan:** Let me try and answer that question. So, there are two parts from a geography perspective. We play in India, and we play in the Middle East. From the India part of the business, clearly, we have seen a lot of interesting opportunities come up in the last year like quick commerce. And we have jumped into some of those.

We play in a space largely called Integrated Logistics in India. And within that, we try to play to our advantage where we are good at. And clearly, one, we had stabilized over this year in terms of operations and profitability and then looking for growth within integrated logistics. There is also an area in India we play, called the Mission Critical Services. So, that's India part.

In the Middle East, we largely are in UAE and Saudi. We have seen very good growth opportunities in Saudi, especially as Saudi pushes forward their agenda of a regional hub and a lot of brands are beginning to set up manufacturing centers in Saudi. So, we are setting up warehouses and integrated logistics and automated delivery centers in Saudi.

So, we clearly see good growth upside in the India and Saudi business in specific areas. We do have ambitions to grow it faster than today, as we have stabilized this thing over the last year or two in terms of operations. We are not able to comment specifically on numbers and give any guidance on that, but we are quite excited about this business going forward.

**Sahil Doshi:** Sure, sir. That helps. And just one last question in terms of clarification where you said 15% is software business and that is something which can grow at 40% to 50%, is that correct or?

**V.S. Hariharan:** That is the available market growth and the available market size. The portion of the 15%, 5% is the Hyperscaler business of 4 to 5 which is growing at 40% to 50% as we report every quarter. The other two parts, the security as well as the SaaS, there needs to be a lot of work done in terms of having a full portfolio and getting our right go-to-market, sales structure, partnerships, platforms, etc., ready to be able to appropriate that. But the market is available for a 40% to 50% growth in all three parts of the market.

**S.V. Krishnan:** And if I can add to that, Sahil. See, this is the business that we feel we need to invest on for one of an earlier query with respect to OPEX. I think it's important to call out that this may require investments and we would want to do it to make sure that this business scales up.

**Sahil Doshi:** Perfect. This helps us. Thank you so much for this.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**V.S. Hariharan:** Thank you so much for all the questions today. And we are really pleased to report a very good Q4 and a very good end to the year. And we are quite excited as we move into the next year. We do have concerns on how the tariff situation will evolve, geopolitical situations will evolve. But outside of that, all our theaters, we are set up to respond to the market and we are optimistic,

assuming these two factors don't come in the way to have a good year again. As I mentioned before, Q1 is normally a soft quarter, but we are set up to execute well based on the market demand available. Thank you and look forward to the next meeting.

**S.V. Krishnan:** Thank you.

**Moderator:** Thank you. On behalf of Redington Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.