



“Redington Limited  
Q1 FY ‘25 Earnings Conference Call”  
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**MANAGEMENT: MR. V. S. HARIARAN – CHIEF EXECUTIVE OFFICER –  
REDINGTON LIMITED  
MR. S.V. KRISHNAN –FINANCE DIRECTOR (WHOLE-  
TIME)– REDINGTON LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to the Redington Limited Q1 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 the date of this call. These statements are not the guarantee 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to V S Hariharan, Chief Executive Officer of Redington Limited. Thank you and over to you, sir.

**V. S. Hariharan:**

A very good morning, everyone. This is Hariharan. I'm really happy to share with you our Q1 '25 results. I will first focus on our performance excluding Turkey, our subsidiary in Turkey -- Arena subsidiary in Turkey to provide enough color on our performance in India, South Asia and Middle East Africa. I will talk separately regarding Arena as well. It has been a good quarter with a continuing story of profitable growth. Our profit after tax grew 13% year-on-year with a PAT percentage of 1.42. This has also been the highest Q1 revenue recorded at INR19,328 crores and our revenues grew excluding Arena at 1% year-on-year.

This was despite the headwinds we had in many markets on delays in India due to elections and capital decision delays, longer festive holidays in the same quarter in Middle East and Turkey and government project delays in Saudi Arabia. For the quarter our lower average working capital, also the working capital efficiency resulted in reduced borrowing costs. Our free cash flow also saw improvements for the quarter.

The results for the quarter was achieved by a 6% growth from India, a 17% growth from UAE. We're also seeing good signs of profitable growth recovery in Africa both East and West and Egypt. Nevertheless, we continue to operate cautiously in these markets. From a business unit perspective, the cloud business unit continued to be our stellar performer with a 35% top line growth driven by continued success in the hyperscaler business and some of the subscription software in our portfolio. Cloud Business Group also beginning to contribute well to the profit and this quarter was in line with the overall net profit.

Our Endpoint Solutions Group also contributed to the growth this quarter very nicely with 11% revenue growth enabled by commercial and consumer PCs. The Technology Solutions Group grew well in Middle East, Africa while in India we saw delays as I mentioned earlier. In the Mobility Solutions Group, India continues to grow well and all geos remain very positive with new product introductions happening and the upcoming NPIs as well.

Now coming to Turkey. We had challenges in Arena in Turkey due to the high inflationary and interest rate environment, combined with a sharp decline in market demand for the IT business this quarter. The notebook PC market declined almost 30% as per analysts. We incurred a loss for the quarter, and a lots of corrective actions are in place by the Arena team to manage the business to healthy levels going forward. The actions include inventory management, receivables management and opex management and many more.

The last few quarters, during the earnings call, we had mentioned the focus for us will be on profitable growth and rightsizing our investment. We've gone about understanding basics by cluster, country and business units, understanding stress points and correcting for them. Similarly, on rightsizing of some of the investments we've made on IT and digital platform to get to the right ROI.

We have now achieved much of this. We brought lots of hygiene and are now focused on driving growth profitably. We have rebuilt our corporate strategy around 4 pillars, leveraging our DNA, of course. The first one we talked a lot about sustainable profitable core. The second one is about accelerating business growth. There are several focus areas here, starting from faster adoption of subscription and consumption business, not just the cloud hyperscaler business, but also the Technology Solutions business where we see a lot of software enhanced by professional services.

Within accelerated business growth, we'll also have a very localized approach for expansion in growth geographies, such as K.S.A., Kingdom of Saudi Arabia; U.A.E., South Africa and Southeast Asia. India will continue to be a very key part of the growth plans, and we will continue to work, including upcountry and other initiatives. The third pillar in our corporate strategy will be about route to market transformation. We already have a segmented approach where we enable high-touch coverage for large partners serving enterprise mid-market and consumer. And at the same time, ensuring efficient touch to tens of thousands of smaller partners, which are important for us through the digital -- B2B digital platform and inside sales reps.

We are also building our efforts into several unique routes to market for specific brands and business. Our focus on route-to-market transformation will be to build these and scale them and make them more unique and more high value for Redington. Lastly, a key pillar of our strategy is leveraging the power of one Redington. We are in three theaters and 30-plus markets and there are lots of unique execution and unique assets that happen in each country and cluster. Engaging our ecosystem like co-creating distinctive initiatives and leveraging them globally as our best practices will really hold us in good stead.

For this quarter, we continue to win many industry awards and recognition. To mention a few we were recognized as LinkedIn India's Top Companies 2024, Most Trusted Company by VAR India, Best National Distributor by Digital Terminal. Just a few days back Canalys which is a leading global technology analyst published the list of top IT distributors globally. We were happy to see that Redington has moved from number 9 position to number 7 position and this feels even more special since we are not present in the top 3 IT markets of the world, namely U.S.A., Europe and China.

With the new growth trends that we see on cloud AI digital transformation and even the focus for some of the brands and rural segments, we remain very positive on the outlook going forward. In all geographies, we are seeing positive trends. NPI is the Mobility business and AI PCs will hasten the fresh cycles and we look forward to taking advantage of these trends. Thank you. We look forward to your questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Yes. In the prior quarter, I think the general thought process was that a lot of these headwinds are sort of bottoming out. I wanted your thoughts on 2 elements here. So one is -- was, relative to that, it looks like across the board, there is relative weakness. So I just wanted your thoughts on what sort of surprise generally. The second is that the gross margin drop across businesses. So what's driving that?

And finally, your thoughts on the Africa business as well. You already explained Turkey, but how is Africa doing? And do you think both these geographies have sort of bottomed out and things will start improving from here even in those geographies?

**V. S. Hariharan:** Okay. So some of the headwinds I mentioned are actually more this quarter and transient. As I mentioned, in India, there were some delays due to elections. Again, this is a -- we do expect things to be doing well going forward, and we can already see signs of that this quarter. With regards to the holidays that I mentioned in MEA and Turkey it was again we had almost lost 2 to 3 weeks of festive holidays.

That was what I mentioned and again a transient thing. So I don't see any of these headwinds carrying forward. Africa as already mentioned, we've seen a nice uptick both on top line and bottom line this quarter, both on East and West. Whether we'll have more surprises, I can't really say, but looks -- largely looks promising and same with Egypt. And a lot of the business we are getting back into is on the Technology Solutions side where it is government and enterprise buying where we are back-to-back business. Obviously, our mobility business also is coming back nicely.

So Africa definitely looks more promising than what we have seen in the last year and some of the corrective actions we have taken in terms of GTMs and how we work with the geography has helped us somewhat. I will turn it over to Krishnan for taking on the gross margin topic.

**S V Krishnan:** Good morning Nitin. See there is some softness in terms of gross margin across you're right, but more than that softness there are also some higher inventory provisions in few places which has had an impact in terms of gross margin and in terms of market also KSA remained soft in the current quarter. I'm sure you must have seen in the newspapers there are some softness that's happening in this market.

There are some postponements which are being done by government, which also had an impact because that was a large market and high-growth market which also created a negative impact in terms of gross margins, but having said that, sorry, I need to continue. If you look at the PAT, I mean, PAT percentage, it still remained strong. At a consol level without Arena we are at about 1.42%. And except for MEA in all the other places we have achieved, I mean, a PAT percentage of more than 1.4%.

In MEA, again, if you recollect last year, I mean the profitability was low. That has significantly increased with a degrowth in the turnover, but we are on course to maintain at 1.4% in MEA also.

**Nitin Padmanabhan:** Sure. Just a quick follow-up. So one is, how much is the inventory provision for the quarter? And second, the softness that we saw in KSA because of postponements done by the government, do you think that sort of -- we are seeing some recovery there or that will continue to be a weak market?

**S V Krishnan:** Our inventory provisions for the current quarter is at 13 bps, 1-3 which normally as you know will be about 6 bps that's the incremental inventory provision that we're seeing.

**V. S. Hariharan:** And on KSA we do see recovery, Nitin. And there was a very visionary set of projects some of them got readjusted and right sized, but as we look at this quarter and going forward we do see recovery in KSA.

**Nitin Padmanabhan:** Sure. That's helpful. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Priya Rohira from Emkay Global. Please go ahead.

**Priya Rohira:** My main question is from the point is when you initially saw a couple of headwinds in a couple of countries being affecting our Q1 and you mentioned that it's going to be transient, are we seeing, especially in India, post this elections come back in terms of conversation on capex dialogues with corporate. I mean especially the B2B segment would have got affected, any color over there would be good?

Second thing is in terms of your margin trajectory. I mean a superb execution despite the top line being muted. You have executed very well, sir. If the growth were to kick in, should we go back to 2.4%, 2.5% which has typically been our guided range?

**V. S. Hariharan:** Okay. With regards to India, see with mid-market definitely commercial PCs is growing strongly. There were two types of delays. One is enterprises, which are closely watching the

outcome of the election result and some of them have actually now gone forward to make those decisions and we're seeing signs of that coming back. We still closely watching government projects, and we believe that this quarter things should definitely unfold in all 3 of them. And on the mid-market and the corporates, we're definitely already seeing the signs and -- from the numbers in the first month.

**S V Krishnan:** Yes. So on the profitability, yes, we are confident in terms of maintaining the EBITDA percentage between 2.3% to 2.5%. And I'm sure you know if you look at the opex for the current quarter, and excluding Arena, it has come down by 4% on a quarter-on-quarter basis and 11% on a year-on-year basis. So while we see that there are some stress in the market, we also make sure there is an operational efficiency, which helps us to build the profitability better.

**Priya Rohira:** Krishnan, just one follow-up to that. We've seen the inventory days going up and that typically happens when the momentum in the market is good. So is this the reason for building up on the inventory or the expectations that sales would normalize from Q2 onwards?

**S V Krishnan:** Okay. See Uniquely if you see our inventory has been well under control. So as we see the sales slowing down, we also became too cautious in terms of the purchases. But, however, for whatever is expected to happen in Q2 we have sufficient inventory, we don't expect a challenge. Our working capital is completely under control, Priya.

**Priya Rohira:** Thanks Krishnan.

**Moderator:** Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

**Aejas Lakhani:** Hi, team and credit to you and the management for having delivered in what seems like a tough quarter. Mr. Krishnan my first question is that in the last quarter we definitely called out that margins were at bottom on we should see improvement. So how should one read into this slightly weak EBITDA? I know you tried to call out the macro, which has been relatively weaker. But having said that, how should investors sort of expect the margin recovery at an EBITDA level in the rest of the world?

**S V Krishnan:** Okay. See, first of all, in Q1 by nature is a subdued quarter, Aejas. So that's something all of you should know. And we're also positive the rest of the year things will improve and this is something that we've seen even in the earlier years. There are challenges in few market. In fact, increased challenges. We have been there in these markets for various years. We have seen ups and downs.

But having decided to be in these places, we have to make sure, I mean, we run it efficiently and then come out successfully, which is our current objective. And as Hari said, we are focusing on hygiene we don't want to -- I mean we don't want to drop that ball. We think on a steady-state basis have sustained about 2.3% to 2.5% of operating profit, and about 1.3 to 1.4 percentage of PAT is something that we are gunning for. And as we know, there are a few markets which are really challenging, but we will find a way out and address it.

- Aejas Lakhani:** And, sir, for FY '25, how should we think about margins? Because 2.3% to 2.5% is the slightly long-term range that you intend to achieve. But how should we look at it for the year?
- S V Krishnan:** Excluding Arena, I tend to think these should be in place.
- Aejas Lakhani:** Okay. Sir, could you then call out that you mentioned at the start, Hari mentioned that there has been 30% decline in Turkey what market analysts pointed out. So is this -- has this happened in the history where for a quarter, suddenly, the demand dropped so starkly in Turkey? Is this a one-off? What are we seeing on ground there today from a recovery standpoint?
- V. S. Hariharan:** So Aejas to answer your question, even the last quarter and the last year the PC market was growing in Turkey despite inflationary trends, despite interest rates and everything. So it was a bit of a surprise. It would have been a combination of the interest rates finally catching up as well as the 2 Eid holidays that happened in the quarter. Between June and July, we already see an uptick of about 30% to 40% business between the 2 months.
- So we believe there is a correction that is happening. The demand is softening because of the high interest rate. But maybe just that 1 or 2 months was the larger surprise and maybe it will level out slightly higher is what our belief is. But we have to watch one or two more quarters just before we can conclude on that.
- S V Krishnan:** And one other thing is as you know the Paynet divestment the process is on. We are to get, I mean, approval from few regulatory authorities. So we're just keeping our fingers crossed in terms of Time line. As and when that gets consummated, Aejas, I think that's going to help us in terms of our interest cost. That's key for us there.
- Aejas Lakhani:** Got it. Sir, KSA gross margins are better than the company reported margins. Is that a fair way to read the situation as well?
- S V Krishnan:** Not really, it would be similar, maybe slightly higher because that calls for higher working capital days, but otherwise I think -- I don't think it will be significantly higher than rest of the markets.
- Aejas Lakhani:** Got it. And sir, would KSA be the reason for the drop in TSG given their enterprise demand is, you've been calling it out to be strong. So the TSG decline could it be largely because of KSA only?
- S V Krishnan:** See on the TSG there are 3 factors. Number one is Turkey anyway we have discussed. Second, in India, because of elections there were a lot of postponement of purchases by the government sector. So the TSG growth was impacted because of that. And the third aspect, see, this requires a bit of explanation. There is something called gross revenue and net revenue. What we normally report in a hardware business, the gross and net revenue is the same. Meaning -- I mean, we are buying the product from the vendor, say INR100 we sell to the customer, say, INR105, INR105 is our invoice, INR105 is our revenue, but as this business is also more and more moving towards software subscription services, renewables, etc which are nonphysical.

There are some changes that are required in terms of revenue recognition under IFRS. This is called net accounting. In the example what I had said, assume we buy from the vendor at INR100, we sell to the customer at INR105. Our revenue is INR5. Our revenue is not INR105. So that net accounting is also having as this part of the business keeps growing up that --I mean that net accounting -- net revenue is also having an impact in terms of growth rate, which is the reason why in TSG we'll always find that the growth rate actually what we make is better than what gets reported because of this reason.

And for a quarter, this data is almost about INR300 crores. I'm sure your next question will be once this is becoming more and more, the profit margins should become better. The answer is yes. I'm sure over a period of time, you will see that the thing change in P&L.

**Aejas Lakhani:** Got it, sir. And sir, could you lastly call out what is the factoring cost for the quarter? What is the cash and what is the debt?

**S V Krishnan:** Okay. The gross debt is INR3,180 crores. Net debt is INR1,659 crores. Okay. See, I will tell you the factoring plus interest cost, I think that will be better. For the current quarter, it is INR149 crores. For Q1 of last year, it is INR148 crores. For Q4, it is INR185 crores. This is factoring plus interest together, you can call it as finance cost.

**Aejas Lakhani:** Got it, sir. And sir, the rundown in interest cost, which has finally started to take place, are we now at this lower normalized level of finance cost that we should expect for the rest of the year?

**S V Krishnan:** Okay. So answer is yes, but this mainly depends on the interest rate, Aejas. I'm just giving you my perspective. Overseas, all of us are expecting in the next 2 to 3 quarters, interest rate will start coming down which should help us. I don't know about Arena -- I mean I don't know about Turkey.

The Middle East and African market, this would be broadly true. In India, I'm not very sure whether there will be a decrease. We are currently running at about 7.3%, 7.4% interest rate. With the deposits drying up, I only expect -- and the deposit rates going up with the bank, I only expect the lending cost to go up. So in my view we will try to whatever best that we can. Just for your info we had also got our CRISIL rating AA+ reinstated recently. So we are doing whatever best we can to make sure our interest rates are competitive, but I think this is where we are.

**Aejas Lakhani:** Got it. And sir when you're talking about Arena you're referring to the three entities of Bilgisayar, Connect and International FZE?

**V. S. Hariharan:** Yes. Arena is a subsidiary. Those are part of Arena, you're right.

**Aejas Lakhani:** Yes, so that is what -- that is the pool of INR12,000 crores that we are referring to whenever we're referring to Arena?

**V. S. Hariharan:** Can you say that again? Can you repeat that question?



- Aejas Lakhani:** There are 3 entities, which is Arena Bilgisayar, Arena Connect Teknoloji and Arena International FZE. So these are the 3 entities that we should look at, whenever you're trying to call out for Arena? Is that correct?
- S V Krishnan:** See let me explain this. Arena is a listed company. Arena has a couple of subsidiaries. There is one company called Arena Connect which is the acquired company that Brightstar about 3 years back. There is one Arena Mobile. There is Paynet as you know which is part of the transaction and also the Arena FZE is the Dubai entity which helps them in terms of funding. So these are the subsidiaries of arena currently. But what -- I mean we call it as arena is console arena which includes all this.
- Aejas Lakhani:** Got it, sir. And that would be about INR12,200 crores odd in '24 -- FY '24.
- S V Krishnan:** Yes, INR1.1 billion, INR1.2 billion. You're right.
- Aejas Lakhani:** Got it. That's it. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Kunal Khudania from DSP Asset Managers. Please go ahead.
- Vivek Ramakrishnan:** This is Vivek Ramakrishnan. I was wondering whether there's more seasonality going forward in your business. I did note that there is effects of the usual weaker Q1, but there are these Amazon prime sales and big shopping events that happened in Q2. And then there was also ebb and flow of government businesses. So can we expect more seasonality in your business which makes, looking at the quarter-on-quarter, trend unviable?
- V. S. Hariharan:** So if you look at by geography, Vivek, you're absolutely right. There is a seasonality sense based on festive season, back-to-school, government buying, et cetera. But in general, if I look at overall Redington, our Q3, Q4 are normally the higher quarters with Q1 -- Q2 being softer. Q1 is the softest quarter if you look at trend rate of the last decade.
- But, yes, if you go geography by geography, you'll find slightly different seasonality trends. It's also a combination of not just the festival seasons, but it's also NPIs from mobility players also when is the government buying season, et cetera. And yes, Q1 is the softest, but I don't think the trends have changed much.
- Vivek Ramakrishnan:** Thank you very much. That was my only question.
- Moderator:** Thank you. Next question is from the line of Payal Shah from Billion Securities. Please go ahead.
- Payal Shah:** I have few questions. One, I wanted to understand how our mobility business looks like? Have we added any new brands and how much is our non-apple portion of mobility business?
- V. S. Hariharan:** Okay. See our mobility business continues to do well. And in India, we work with Apple and a few Android brands and same in MEA. On the Android front, we keep exploring new brands,

but we are in the premium segment, how we play. And I think it's -- the premium segment in India is a growing segment greater than INR40,000. And that's one of the segments we focus on.

So in MEA, so I don't -- as we keep looking at brands, but we can't specifically talk about what brands we had in the quarter. We don't share those information. But I would say it's very healthy.

**Payal Shah:** That's helpful. That's helpful. My next question is on the cloud business side. What is the current breakup between cloud resale and cloud services? And what can be expected on this going forward?

**V. S. Hariharan:** Okay. The cloud business resell is still very large. Services is just beginning to happen. It's still less than 2% of the overall revenues. But we do expect a bit more on the professional services side. What we are working on is areas like migration, spin-offs and a little bit of modernization. These are one-step adjacency professional services.

We also work with our hyperscaler partners to drive consumption in workloads and basis their programs. But we do see a growth in the services segment, but it will never be very large. It'll probably go to less than 5% still.

**S.V. Krishnan:** In terms of numbers our cloud revenue for the quarter is INR899 crores, previous year INR668 crores I mean showing a growth of 35% out of which managed services is about INR21 crores.

**Payal Shah:** That's very helpful. Thank you so much. That's it from my side.

**Moderator:** Thank you. The next question is from the line of Rohit from SK Securities. Please go ahead.

**Rohit:** I have just one question. Just wanted to know if there are any plans to enter new geographies. Can you throw some light on this?

**V. S. Hariharan:** Okay. So we had mentioned in the previous quarters, but maybe I'll get a bit more specific. So let me start with this part of the world. We have had an interest to enter Singapore and Malaysia. So we just formed an entity recently in Malaysia. And our goal there is to work with our cloud partners, the hyperscaler partners to be able to make a foray and entrance in both the cloud resell and the professional services side, more in the professional services side, but both in Singapore and Malaysia.

Similarly, when I go to Middle East, Africa, we have mentioned before that we have entered Republic of South Africa in the Q4 of last year. And we are building plans with partnerships and brands to grow our business there. It's a more economically stable market and a large market. In fact, it's probably one of the three large markets in the EMEA region which we are not present in.

Similarly, adjacency to Turkey the Central Asia and we had mentioned this before in one of our earlier calls as well that we are planning to be there and we've already got an office in Azerbaijan, in Kazakhstan and planning to look at Kazakhstan and Azerbaijan and that region. And we've got some early wins and we're looking at how to grow that space.

- Rohit:** Okay. Thank you for your detail answer.
- S.V. Krishnan:** As we are on the subject Rohit. I also want to tell you how in various geos we ensure leadership. In India we are number one. In UAE we are number one. In KSA we are number one. In GCC we are number one. In Turkey we are number two. East Africa we are number one. In West Africa we are number one. So the message we want to tell you is wherever we get into we would want to ensure we are in the leadership position in one -- I mean, as a top most distributor if possible or the close second. So that objective is still -- it's there. That's the reason why having said, I mean we are number one -- sorry we are number seven globally amongst various tech distributors.
- Rohit:** Yes. Got it. That answers my question. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Chirag Sureka from UTI Mutual Funds. Please go ahead.
- Chirag Sureka:** My question was then on Middle East. So there, since we have seen some decline in profitability during the quarter. So from a guidance perspective, how do we expect the recovery to happen in that particular region, that is Arena?
- S V Krishnan:** Okay. So you are only asking about Middle East, right? You're not asking about ROW?
- Chirag Sureka:** Yes, only on the Middle East.
- S V Krishnan:** See, Middle East margins remains better, as we just discussed, because of the demand environment in KSA and also some profit challenge in the mobility part of the business. We have had some erosion in terms of gross margin, but those are more short term. We don't think this will be the case into the future.
- V. S. Hariharan:** Yes. And just to add, the profit -- profitability in MEA has grown year-on-year for the quarter, not declined, and it's grown quite healthily compared to Q1 of last year.
- Chirag Sureka:** Okay. And any other countries in ROW which is sort of contributing or resulting in the decline in profitability?
- S V Krishnan:** Not really. Yes, it is -- I mean, Turkey entities and KSA.
- Chirag Sureka:** Thank you. That was my question.
- Moderator:** Thank you. The next question is from the line of Gunit Singh from Counter Cycle PMS. Please go ahead.
- Gunit Singh:** Just to reiterate our profit before taxes in the rest of the world region have fallen by almost half on a year-on-year basis in Q1. So the main contributors for these two are Turkey and Saudi Arabia. Is that correct?
- V. S. Hariharan:** Yes. That's correct.

**Gunit Singh:** All right. So, sir, just to -- I mean kind of the third question of the last participant. So I mean, what kind of outlook or expectations do we see especially in Turkey going forward? Because you mentioned that in Saudi Arabia, things look a bit one-off. But I mean, how do we see this going forward?

**V. S. Hariharan:** So -- see in Turkey, as I mentioned -- Did you complete the question?

**Gunit Singh:** Sorry, sir, please go ahead. That's all.

**V. S. Hariharan:** Yes. So Turkey, as I mentioned, there were a few factors at play. One is the sudden dip in demand in the IT and the PC segment. Two, is the high interest rate environment and how we are managing our working capital. So what we are doing this quarter and subsequent quarters is to really get a good grip on what the actual demand looks like, and to work with our brand partners to stock inventory at the right level.

At the same time, working very closely with our reseller partners on the account receivables because it's all about working capital management and because of the higher interest levels. And we have a very close tracking on this and we are confident that we will manage this efficiently. What the bottom line will look like will show at the end of Q2 basis all our actions. But we have a good grip and understanding both the demand side as well as what supply we should keep.

**Gunit Singh:** Got it. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Nikuj Mehta from Wealth Guardians Financial Services. Please go ahead.

**Nikuj Mehta:** My first question is, can we get a status update on ProConnect? And what's the expected performance that you feel is possible in the next maybe few quarters?

**S.V. Krishnan:** Yes. ProConnect overall is constructing good volume. As I had mentioned in one of the earlier calls, we had consolidated the ProConnect in all the markets under India. So the consolidated ProConnect numbers are INR228 crores of revenue with the EBITDA growing by 21% and the PAT growing by 61%. Out of which India is about INR138 crores and UAE and KSA is about INR90 crores.

**Nikuj Mehta:** Yes. So I was just waiting for -- do you think this performance will continue or the restructuring and everything is complete?

**S.V. Krishnan:** Yes. It is very well positioned. So we are quite confident about its growth.

**Nikuj Mehta:** Okay. And sir, the other question is that you were expecting cloud and services, the combined services bundle of business whenever it gets to USD1 billion to contribute meaningfully to the margin and in the annual report it's written that we've crossed \$1 billion last year. Now it's still not impacted the margins -- overall margins meaningfully. At what stage do you think because the service is big. The managed services, which is still just 2% to 5%, but the resell business is

the main business and where do you think and at what stage will that start positively impacting the overall margins?

**V. S. Hariharan:**

Okay. I'll try and answer this in 2, 3 parts. What we reported is the subscription business and the software business. It's contributing to more than USD1 billion. A part of it is reported as CSG, Cloud Solutions Group, which is the hyperscaler business. And a part of it comes from the Technology Solutions Group, which is a software business that we work in the technology solutions.

The margins on both of these are quite healthy and in fact, a bit higher than -- same or a bit higher than the hardware business. For this quarter, specifically in the Cloud Solutions Group, we have reported about 1.38% PAT which is almost in line with our overall PAT for excluding Arena, 1.42%.

So it's already beginning to contribute profitability wise almost on par with the rest. So we don't necessarily need services to grow more for the contribution. Obviously, as services grows, we will get a better contribution from this business. But today, we don't specifically call out the overall profitability for both parts of the business into that \$1 billion. But clearly, we see this as not behind the rest of the business in terms of profitability contribution.

**Nikuj Mehta:**

Okay. And so the recently sold small subsidiary Citrus Consulting. And was it meaningful value that we fetched for it, A. And B, can you look at more such value unlocking happening in meaningful ways that could lead to -- lead to some release of funds or better profitability or value unlocking for shareholders?

**V. S. Hariharan:**

Okay. Let me try and answer this.

**Nikuj Mehta:**

Sorry, I'm interrupting. I'm indicating at businesses like ProConnect or say cloud, which are not particularly into the resale of either hardware or software. And for ProConnect, particularly 75% of the business comes from outside of Redington. So we just believe that it makes sense to have it as a separate entity. So this is a suggestion also. But are we thinking about those lines?

**V. S. Hariharan:**

So let me talk about Citrus first. So we've been working on Citrus for several years. And after a lot of discussion internally, we came to the conclusion that it is important to keep the business going. It is an important business. But since it's into managed services, it was not the right adjacency for us.

And so we thought -- at the same time, we've built a valuable business. We wanted to keep the business going and make sure that the employees that were in the business also continue to work on this. So we sold it to a company that we partner with on the cloud business. So it was a win-win in terms of keeping the business, unlocking the assets, at the same time for us to be able to partner with the buyer on growing our core cloud business.

Yes, there are quite a few other incubation pieces within Redington. You heard of Paynet as well. And obviously, the Paynet and discussion we go through is, is it strategic to Redington? And does it make sense for it to be part of Redington? We want to build valuable assets inside,

and if it makes sense for it to be strategic to be part of Redington we'll continue to keep them in Redington, but it's meaningful to unlock, we will do that. So we will continue to debate these. There are quite a few other such incubation inside Redington.

**Nikuj Mehta:** Thank you so much sir. I really appreciate.

**Moderator:** Thank you. The next question is from the line of at Sahil Doshi from Thinwise Capital. Please go ahead.

**Sahil Doshi:** My first question relates to a clarification on the increase in the inventory provision we would see in the future, could you possibly explain that? Second is from the...

**Moderator:** Sorry to interrupt you, sir. May I request you to please use your handset. Due to no response from the current participant, we will move on to the next participant. As there are no further questions from the current participant. I would now like to hand the conference over to the management for closing comments.

**V. S. Hariharan:** Thank you once again for joining our call. And as I mentioned, we've had a good quarter, excluding Arena and Arena challenges we are addressing in a manner that we will recover. We are quite confident and bullish as we go forward with what we see in the next few quarters. And it is -- those -- the upcoming quarters are also our higher seasonality quarters because of all the trends that we see in the environment, the NPIs that are going to happen in Q2 and Q3 on mobility, the AI PCs that are coming up. The growth in infrastructure in India, UAE, Saudi Arabia will all contribute to a larger market size that we can tap on. We really look forward to better quarters to come. Thank you so much.

**S V Krishnan:** Thank you.

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