Redington

Operator: Ladies and gentlemen, good day and welcome to the Redington Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and may involve risks and uncertainties that are difficult to predict. I would now like to hand the conference over to Mr. V. S. Hariharan, Managing Director and Group Chief Executive Officer of the company. Thank you and over to you, sir.

Management: Thank you. Good morning everyone and thank you for joining us. Q1 FY27 has been an exceptional quarter for Redington and a strong start to the new financial year, both from a revenue and a profitability perspective. Technology continues to accelerate dramatically. At the same time, geopolitical instability, regional conflict, supply chain shifts, and economic uncertainty continue to create new pressures across markets. Our resilience combined with disciplined execution was instrumental in a good set of results this quarter.

During the quarter, we recorded consolidated revenue of 34,966 crores, reflecting a growth of 34% year-on-year. EBITDA stood at 751 crores, a growth of 67% year-on-year, and PAT stood at 486 crores, a growth of 77% year-on-year. The profit growth significantly outpaced the revenue growth, reflecting strong revenue momentum as well as significant operating leverage in the business. Considering it is the first quarter, which normally happens to be a low seasonality quarter, combined with the West Asia crisis continuing to pose some business and supply chain challenges, the results really make us proud. Excluding Arena, the revenue grew 41% year-on-year at 33,794 crores and a profit of 517 crores, the best ever.

This quarter reinforces the continuing story of profitable growth across our business. It also reflects the strength of our diversified model, our ability to scale with discipline, and continued progress on the strategic priorities we have been articulating over the last several quarters. From a geography perspective, the India business grew top line by 63% and PAT by 60% during the quarter; clearly the star geography for us. All the business units in India—mobility, endpoint solutions, technology solutions, and software solutions—all fired with strong double-digit growth.

There was continued strong traction in the country business. We saw a good amount of data center deals from Neo Cloud operators. The professional services business grew triple digits this quarter. Digital platform adoption also grew. We deepened our penetration in our very unique routes to market like direct-to-retail, regional large format retail, and even go-to-markets like quick commerce gave us some scale.

In the Middle East, geopolitical tensions continued through the entire quarter. However, we did see stronger growth in the value and technology categories. The Middle East and Africa region grew by 15% despite the crisis there, largely on the back of strong growth in the GCC and the Levant region at 95% and Africa at 39%, driven by greater IT adoption, mobility, and increased contribution from the Software Solutions Group. The UAE and Kingdom of Saudi Arabia were flat to a small degrowth,

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where we expect to see recovery as the West Asia crisis gets to resolution.

Now moving on to quarterly performance by business units. The breadth of our business gives us resilience, relevance with vendors and partners, and multiple engines for future growth. All the business units this quarter contributed very well. Starting with mobility, it grew 21% year-on-year, contributing 35% of the top line. This was driven by strong demand in the premium segment and continued strong execution in the direct-retail segment in India during the quarter, and entry into new geographies in the Middle East region aided this performance. The performance here could have been better if the product supply supported demand.

Endpoint Solutions grew 35% year-on-year, contributing 29% of the top line. The growth here was led largely by component shortage-induced price increases. AI PC penetration into the commercial segment continued to grow, with 36% of the revenues in India coming from AI PCs which are greater than 40 TOPS definition.

The Technology Solutions Group had a growth of 50%, contributing 17% of the top line. All product categories—servers, storage, and networking—fired well this quarter. There was a good chunk from large deals of nearly 1,000 crores during the quarter, most of these being in India in the data center category with a visibility of a strong deal pipeline for the rest of the year.

Coming to the Software Solutions Group, we maintained our momentum of growth. We grew by 52%, the highest across the business units, contributing 17% of the top line. We continue to grow our partnerships with the Tier 1 OEMs and hyperscalers, while adding many new brands as well. We are also making sure that we are adding existing brands in some of the geographies where we did not have these brands previously. We are increasing our solution intensity in the go-to-market, building joint business plans with key brands to drive wallet share.

Also this quarter, we saw the rollout of many new capabilities we have been talking about in our platform, Cloud Kwoks. We rolled out a Reonic capability, a proprietary subscription renewal automation platform, and TrackMyCloud, a cloud usage and optimization tool integrated with Cloud Kwoks. We have also rolled out an AI Exchange mentioned in the previous call, a marketplace for an AI agent catalog for vertical and horizontal use cases, which is beginning to generate revenues and momentum in the go-to-market. During the quarter, we conducted an SSG Day where we shared our Software Solutions Group strategy as well as the capabilities we are building. I am also delighted to announce that Redington has earned the Microsoft Frontier Partner designation, an honor reserved for a select group of partners globally. The recognition underscores our readiness for the AI era and our ability to help customers harness the power of AI through innovative solutions and services.

Coming to our OEM partners, the top 10 brands contributed a significant 75% chunk of the business this quarter, registering strong double-digit growth. Each of the brands in our top 10 had double-digit growth. The top 10 now has a good balance of hardware, software, and networking brands. This was one of the questions asked about 4 or 5 quarters back, and we now have a good balance across all these categories.

Moving on to operations, our working capital discipline remains an important area of focus. Working capital days improved to 32 days in Q1 FY27 from 37 days in Q1 FY26. ROCE was at 22%. Our OpEx

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control continues to be very good, growing slower than revenue growth and giving us significant operating leverage.

Now coming to Arena, from a Q1 perspective, there was a loss of 64 crores, with Redington's portion being 31 crores. The continued losses are due to lower revenue after exiting the mobility business in Arena and the divestment of Paynet. There is also a gross margin compression in the existing IT business now. To bring in operating leverage, we have to restructure the business, focusing on Turkey-specific growth levers in a dollar-denominated business. There is work to do here to get the Turkey business in the right direction.

To summarize, Q1 FY27 has been a quarter of very strong growth with all businesses and most geographies firing, showing strong resilience and disciplined execution. We have started the year with healthy momentum in revenue, EBITDA, and PAT while continuing to improve working capital efficiency and maintaining strong returns ratios. More importantly, the business continues to move in the direction we had envisioned—scaling our core, strengthening our value business in both SSG and TSG, investing in cloud, cyber security, and AI, and building technology-enabled routes to market for the future.

We continue to remain entrenched in the top 10 tech distribution players globally, despite not being present in the US, Europe, and China. Based on information published by the Omdia group, we continue to retain our strong number one position in India and the Middle East Africa region. This clearly provides us many advantages: preferred partner status with large vendors, better economics through scale, access to the best resellers and customers, the ability to shape ecosystems, attracting new vendors, and a stronger credit and financing platform. It provides strategic relevance in the AI era. As AI solutions become more complex, customers need orchestration across multiple categories and brands, and we are in a position to bring that.

Finally, I want to recognize our teams, the Redingtonians, who continuously put their best foot forward. I want to specifically recognize our people serving in sensitive and conflict-affected regions. Their dedication, courage, and professionalism have ensured business continuity and strengthened our relationships under very challenging circumstances. While we remain mindful of macroeconomic uncertainties, we remain confident about our evolving business mix and our ability to deliver sustainable long-term value. Thank you for your continued support. We look forward to your questions.

Operator: Thank you very much, sir. We will now begin the question and answer session. We have our first question from the line of Deepak from Unify Capital. Please go ahead.

Deepak - Unify Capital: Hari, hi, good morning and congratulations on a phenomenal quarter of execution. A couple of questions. The first one is regarding the chip price increase around the world. Do you reckon there has been a lot of pre-buying that the channel might have taken anticipating a price hike? If so, can you quantify how much of our performance in Q1 might have been driven by pre-buying? As a corollary, what is your sense of channel sales in terms of inventory levels? Is there any one particular hardware refresh cycle driving this momentum?

Management: Thanks, Deepak. I will answer the question focusing on ESG, the Endpoint Solutions Group, because in the case of software solutions, this is not impacted by price increases. In

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mobility, while there are price increases, it is a velocity business with very little stocking. Similar in Technology Solutions, many orders are back-to-back. It was largely a phenomenon for the PC business in the Endpoint Solutions Group. If you look at the numbers, unit growth has been more or less flat to single-digit growth. Revenue is largely driven by the average selling price. There is a stocking up of channels happening. Our Tier 2 partners are stocking up in view of demand and trying to gain from price hikes. We believe there are about 2 to 3 months of inventory in the channel.

Management: I can also add that this inventory buildup is across the channel, not just at the customer level but also with distributors because you need to ensure adequate product availability when on-demand products are not always available from OEMs.

Deepak – Unify Capital: If there has been good demand from the TSG side, can you quantify the large deals? You mentioned 1,000 crores; what is the outlook? Also, the mobile business seems to be growing at a very fast rate over the past two quarters. Do you think this momentum is consistent?

Management: On the large deals, we have had good momentum on the run-rate business but also a good chunk of data center deals. Out of the 1,000 crores mentioned, about 700 crores comes from the India side and the data center category. The funnel on the data center side looks very promising, even multiple times that 1,000 crores for the next few quarters. The West Asia disruption has maxed out data center capacity in Europe, and with the tax holiday the Indian government announced, many customers want to host in India. We will take our fair share of that business.

Regarding mobility, over the last year, overall smartphone growth in India was 1%, but the premium part has grown multiple times—around 8X. Brands in the premium category have gained share, and we carry three of those brands. However, price increases are having an impact and slowing consumer purchase. We have to watch closely. One more quarter of this demand may continue, but beyond this quarter, we do not know if those price hikes will sustain the same demand.

Deepak – Unify Capital: Turning to the Middle East, you mentioned UAE and Saudi sales were flat this quarter. What is the demand situation there currently? How has July started? Regarding supply chain issues and the closure of the strait, are you able to get supplies consistently and pass on freight costs?

Management: We have largely been able to manage the supply chain, though there is a delay. We are planning better by using a combination of air and sea, getting products through ports like Fujairah that do not go through the Strait of Hormuz to reach Jebel Ali. There may be a delay of 30 days. There is a cost increase on freight and warehousing. Some we pass on, and some we pick up. Demand has softened slightly—about a 3-4% decline in UAE and a 7% decline in Saudi. We have good demand in software solutions and a decent pickup in technology solutions. We are seeing some softening but not to the 20% decline we initially feared.

Management: Regarding costs, there were certain one-off costs in transportation and insurance. Pre-crisis, almost 85% of our purchases were through sea shipments; these have converted to air. War-related insurance policies were withdrawn, so we took additional policies. This resulted in an increase in cost of about $3 million for the quarter. We could recover a good part of it, but not all.

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Operator: Thank you. We have our next question from the line of Vinay Mannan from Monarch Capital. Please go ahead.

Vinay Mannan – Monarch Capital: Congratulations on a great set of numbers. On Lenovo, we have seen their share go up in total contribution. Was there a specific large deal there?

Management: It is mainly because it is a brand that has done extremely well, and we have also executed well with that brand.

Vinay Mannan – Monarch Capital: In terms of the 1,000 crores of large deals in Q1, how should we look at seasonality? Typically, Q1 is weak and Q2 is strong. With higher ASPs, how should we look at the next few quarters?

Management: We were surprised at the pickup in Q1 despite low seasonality. Q2 typically gets a lift from mobility NPIs (New Product Introductions). Q3 is the festive season and Q4 is the year-end. This supply shortage and the data center deals are throwing a spin on things. We expect Q2 to be strong. For Q3, there should be a good pickup during the festive season, but post-festive season, we do not know. The price increase in PCs and smartphones will eventually have a dampening effect on consumer buying, though commercial buying may continue for refresh cycles. We are playing this one quarter at a time.

Vinay Mannan – Monarch Capital: On SSG, there was 52% annual growth. What were the drivers and what numbers can we expect for Q2?

Management: Cloud continues to be our strongest growth driver, followed by software—including infra software and verticals like Autodesk. Security did well but we want to gain more wallet share there. Services performed fantastically, almost doubling this quarter. We are working with large SIs and data centers on professional services. Overall, cloud, software, and services are creating the momentum.

Management: On cloud, we have seen overall 67% year-on-year growth, with 5% in CISA and 80% in the rest of the world. You can see a significant spike in this segment.

Operator: Thank you. We have our next question from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari – Unique PMS: Excellent set of numbers. Regarding Arena, despite getting out of the lira-based business and revenue halving, absolute losses continue around 60-70 crores. Why are we still seeing this and what needs to be solved?

Management: Multiple challenges continue to affect Arena's performance. While we consciously dropped revenue, margins are also dropping. Turkey is a hyper-competitive environment right now and gross margins are compressed. At the same time, because of 35-40% inflation, there is an increase in OpEx. We are trying to solve it, but current year losses might continue.

Pratik Kothari – Unique PMS: What is the end goal or plan there?

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Management: We are looking at what we should do strategically. It requires a structural change, and options are limited. We are also seeing how to revive the business. If a strategic choice happens, that would be our preferred path.

Management: Our original thesis was that the lira business was the most challenged due to interest rates and working capital. Exiting that cleaned up our dollar business. However, the hardware business there has compressed more than expected. The software solutions and cloud business in Turkey is now larger than the hardware business. We have a few ideas to restructure the business for profitability at this smaller scale.

Management: From a debt perspective in Arena, what used to be $120-130 million has come down to $90 million. Interest costs, including factoring, are down to 37 crores this quarter from 69 crores last year. These are steps in the right direction.

Pratik Kothari – Unique PMS: On working capital, there was a positive surprise in the reduction. What is driving this drop?

Management: While inventory days are going up across the market, we had some advantage in payable days. Particularly in the Middle East, we could get some additional credit from vendors which helped. Overall, we managed it better than last Q1.

Pratik Kothari – Unique PMS: Can you break down growth between volume and price? How much is ASP driven?

Management: SSG, TSG, and MSC are largely non-price driven. In mobility, we got a bump on the Android side due to price increases, but Apple did not increase prices until recently. Most of the price-driven bump is in the Endpoint Solutions Group. About two-thirds of that business saw a price-driven increase; everything else is natural demand.

Operator: Thank you. We have our next question from the line of Samay Sabdes from Helios Capital. Please go ahead.

Samay Sabdes – Helios Capital: Congratulations on a great set of numbers. I see Samsung has made way for Microsoft in your top five vendors. Can you share some color on this?

Management: It is a small change. Microsoft has grown faster than Samsung for us, hence the shift. The cloud business of Microsoft is doing well, and we now have three software brands in our top 10, which reflects our growth in cloud and software.

Samay Sabdes – Helios Capital: Finance costs increased sequentially by 74%. Can you share some color on that and the expected run rate?

Management: There is a significant increase in revenue, and inventory days have gone up in the industry. While central banks have not officially raised rates, market interest rates are firming up, leading to higher costs compared to Q4. On a steady-state basis, you can take this as the quarterly number for the future.

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Samay Sabdes – Helios Capital: You received a tax refund of 147 crores this quarter. Can you explain that?

Management: That relates to past years. These were demands raised that we contested and won. We received the money back along with some connected interest.

Operator: Thank you. We have our next question from the line of Sahil Doshi from Thinkwhite. Please go ahead.

Sahil Doshi – Thinkwhite: Congratulations on a fantastic set of numbers. Regarding AR provisioning, it seems slightly elevated this quarter. Could you talk about provisioning in the Middle East and Saudi?

Management: In the current environment, we want to be cautious. If there are delays longer than expected, we prefer to provide for them. There is a good chance for collections out of this in the future.

Sahil Doshi – Thinkwhite: In the annual report, you highlighted a direct-to-retail strategy for Android that increased revenue share from 1.3% to 10% over five years. Can you talk more about this?

Management: For a specific premium brand, we focused on creating dedicated premium retail channels. We worked with the OEM to build almost 6,000 outlets that specifically sell their products. This involves supply chain automation, in-store promoters, and a full go-to-market machine including EMIs. This targeted channel has built revenue and margin momentum for both the OEM and us.

Sahil Doshi – Thinkwhite: What is the factoring number for this quarter? Also, Other Income has become roughly 200 crores; how much of this is recurring?

Management: Factoring for the current quarter is about 8 crores versus 31 crores in Q1 last year. Other Income includes interest collected from partners for delayed payments and interest on deposits. Some of this is business-related float. Specifically this quarter, it also includes the interest from the income tax refund.

Operator: Thank you. We have our next question from the line of Hetendra Pradhan from Maximum Capital. Please go ahead.

Hetendra Pradhan – Maximum Capital: Related to the TSG segment, global peers are calling out supply chain constraints. How are we positioned? Are we a big part of the AI cycle for our customers?

Management: From a hardware perspective, growth is coming from AI GPUs. Server and storage going forward will all be AI-centric. The data center piece of the business is going to be huge. Our backlog is already multiple times what we did this quarter, so I do not see that tapering off for the next several quarters. On the PC side, AI PC commercial penetration is at 36%. With new chipsets coming towards the end of the year, we see stronger AI PCs coming out. The overall server and storage market mix might change, but we don't see a tapering off.

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Hetendra Pradhan – Maximum Capital: Regarding SSG, what is the share of revenue from the servicing component? Also, what can we expect from the Microsoft Frontier Partner designation?

Management: The Microsoft designation means we are at the forefront of executing AI-related moves. We sell AI solutions from all hyperscalers and have dedicated AI solutions under our AI Exchange. It is a marketplace for AI agents with over 250 options. Within professional services, we do traditional migration and modernization as well as agentic AI and other solutions. We are finding the right products and go-to-markets for these horizontal AI agents.

Management: SSG contributes 17% to our total revenue. Services in our overall revenue made up about 2.5% for the quarter.

Operator: Thank you. We have our next question from the line of Priya Rohira from NK Global. Please go ahead.

Priya Rohira – NK Global: Relating to the supply challenges and price increases, have there been conversations with other OEMs for price increases?

Management: Most OEMs in the PC world and pretty much all Android devices and Apple have increased prices. The server and storage segment has moved to higher-priced GPUs. I don't think there are any others left to increase prices. We now have to see if customers can get the right ROI and if the consumer segment can absorb this shock. There will be some demand waning. We have dealt with most of the consolidation of price increases.

Priya Rohira – NK Global: What was the effective price hike experienced this quarter?

Management: If we take the last two to three quarters, PC prices concentrated anywhere between 25% and 50%. This contributed to the ASP increase. While revenue grew, our unit volume growth in PCs was single-digit. We believe prices will stabilize at these levels, although component shortage remains a multi-quarter issue that may sustain these values.

Operator: Thank you. We have our next question from the line of Amit Ketan from Laburnum Capital. Please go ahead.

Amit Ketan – Laburnum Capital: Regarding the strong growth in cloud, do large public cloud deals go through distributors like Redington in India? Is it higher in India than in the West?

Management: Our cloud business involves reselling AWS, Microsoft, and Google services to mid-market and enterprises. Hyperscalers use both direct sales and distribution. Increasingly, they rely on distribution because we provide more than just reselling—we handle migration, modernization, and professional services. It is fair to say the mix of distribution is likely higher in India than in the US, where direct sales are more prominent for large enterprises.

Amit Ketan – Laburnum Capital: On your platforms, Redington Online and Cloud Kwoks, are there gaps compared to global peers? Will these contribute to profitability?

Management: Cloud Kwoks is a critical investment for non-physical transactions. We are migrating from 1.0 to 2.0, adding customer and vendor personas and building hooks for a marketplace. It is a

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differentiator that helps partners access AI and software-as-a-service. Our vision is to be best-in-class within the next 2 years.

The digital platform for hardware is different. It serves the "long tail" of smaller partners who might not have a dedicated salesperson, while allowing large partners to see data on rebates and outstanding payments. Adoption of these platforms helps us reduce the cost of servicing customers and allows them to transact at any time.

Operator: Thank you. We have our next question from the line of Aajes Lakhanani from Unifi AMC. Please go ahead.

Aajes Lakhanani – Unifi AMC: Given that the velocity of large deals is likely to increase, how should we think about Gross and EBITDA margins for the rest of the year?

Management: The quantum of large deals in the total scheme of things is currently marginal. If it becomes significant, we will call it out. Large deal profitability does not match our normal profitability. If they grow significantly, you will see a dilution in the margin percentage, but our objective is no compromise on return on capital employed (ROCE).

Operator: Thank you. We have our next question from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan – Tunga Investments: Regarding the Software Solutions Group, is the movement toward the Microsoft marketplace a threat or an opportunity?

Management: It is an opportunity. Just as the hardware world evolved to be omnichannel, there will be an omnichannel evolution in software. Hyperscale marketplaces will exist, and we will participate in them while also bringing our own value-added services. We are working on multiple ways to win within those ecosystems.

Operator: Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing comments.

Management: Thank you so much for all your questions and feedback. We look forward to having another good quarter in Q2. Thank you.

Operator: On behalf of Redington Ltd., that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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