E2E Networks Limited

Accelerated Cloud Computing Platform
CIN NUMBER - L72900DL2009PLC341980

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August 21, 2023

To,

Corporate Communications Department,
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai-400051

Scrip Code/Symbol: E2E

Sub: Transcript of Conference Call for Q1 FY 23-24

Ref: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") and our earlier intimation dated August 14, 2023

In terms of Regulation 30 and Regulation 46 read with Part A of Schedule III of the Listing Regulations, this is to inform you that the Transcript of the Conference Call held on Friday, August 18, 2023 with the Analysts/Investors in relation to the Unaudited Financial Results of the Company for the quarter ended June 30, 2023 (Q1FY24), is hereby enclosed and the same is also available on the Company's website.

The transcript can be accessed from the link given below:
https://www.e2enetworks.com/investors/investor-presentations

You are requested to kindly take note of the same.

Thanking You.

Yours faithfully

For E2E Networks Limited

Richa Gupta
Digitally signed by Richa Gupta
Date: 2023.08.21 21:40:32 +05'30'

Richa Gupta
Company Secretary Cum Compliance Officer
Membership No.: 56523

E2E Networks Limited
Q1 FY '24 Earnings Conference Call
August 18, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY 2024 Earnings Conference Call of E2E Networks Limited hosted by Valorem Advisors.

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 the operator by pressing "*" then "0" on the touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you, and over to you, sir.

Anuj Sonpal: Thank you. Good afternoon, everyone and very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of E2E Networks Limited. On behalf of the company, I would to thank you all for participating in the Company's Earnings Call for the first quarter of the Financial Year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on Management's beliefs as well as assumptions made by information currently available to Management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Tarun Dua - CEO and Managing Director and Ms. Megha Raheja - Chief Financial Officer.

Without any further delay, I request Mr. Tarun Dua to start with his opening remarks. Thank you, and over to you, sir.

Tarun Dua: Thank you, Anuj, and thank you all of you for joining us today. A very good evening to everyone. Welcome to our first ever Earnings Conference Call for the first quarter of the financial year 2023-24.

Before we begin with the performance for the first quarter and the financial year, let me give you a brief introduction about the company for some of those who might be new to the company.

So, E2E Networks was founded in the year 2009 and is amongst the biggest India-based public cloud players. We have carved a niche for ourselves by providing cloud services to businesses across workloads artificial intelligence, machine learning, application developers, enterprise customers, and we operate within the infrastructure-as-a-service or I-a-a-S model delivering the fundamental computing, storage and networking solutions.

In 2018, we got listed on the NSE EMERGE, and we subsequently transitioned over to the main board of NSE in 2022. Over the course of our evolution, we have significantly expanded our customer base, and currently we are serving a robust base of over 3600 plus active customers. So, we operate out of data center facilities in Noida and Mumbai. A much more comprehensive list of product offerings of various types of cloud instances and other cloud services that we provide can be found on our website.

So, we would to talk about the current demand environment where a lot of workload in the AI/ML domain are being shifted to in the market. So, the public cloud, as we know today, is going through a transformational shift and that provides us with a massive opportunity to scale up.

So, India is massively adding to the data center capacity, and it is expected that the data center capacity as per various industry reports et cetera is going to scale up to maybe anywhere between 8x to 10x over next three to five years, and there are many data center players who are investing in India.

Now, this is obviously in anticipation of the increased demand both from the traditional enterprise moving to the cloud and the growing digital native demand, which is expected to grow their workloads on the cloud. So, we obviously benefit from both. So, however, let us spend a bit more time on the shift of workloads which is expected due to the AI, ML and deep learning revolution that is happening.

So, as you are aware that we are amongst very few players, India born players which natively support AI, ML and Deep Leaning workloads. So, while we are one of the few to do this, we also happen to do this at a fraction of the cost against global Hyperscaler cloud player.

The demand environment for AI, ML and deep learning workloads, although it is very nascent, it has significantly started picking up. We are seeing an increased demand from higher education and research, mature enterprises and innovative carpets due to the localization of data with the new, with the kind of sectoral regulations and data protection requirements that are coming up. We believe in capitalizing well on this opportunity, and this could be very transformational for our company.

We are also well placed and have some edge in this segment due to the cost positive nature of this particular segment. So, typically, the cost of running AI/ML workload compared to traditional workload is almost the order of 10x of typical CPU workload.

So, with the shift to these kinds of workloads where the typical requirements are very high in terms of cost, so somebody us offering a competitive price definitely allows us to be a better place to take advantage of this shift.

So, given these broad credits, we believe that over the medium term, the company should be able to grow anywhere between 30% to 40% for next couple of years with the caveat that, like, obviously, we cannot be very predictive of whether this is consistent year-on-year growth. So, as we are a small company with a small enough revenue base, this growth could come in in a lumpy fashion.

So, let us talk about the other broad trend over our lifetime that we have seen. So, traditionally, the cloud in India has been service more towards the private cloud plus managed services side. So, we were one of the first cloud operators in India to shift towards a self-services model.

So, we made our product to support the complete set of self-service solutions and over the last many years, we have made changes pertaining to that. So, happy to share that today, 80% of our customer base is on the self-service public cloud. Now this helps us immensely in scaling up for the future.

Over the last many years, this transition has had a fair share of challenges. So, in the past we have lost some of our customers, and we had to work towards replacing that revenue with other customers. So, we now feel that this transition to self-service model has now probably put us apart from other smaller scale domestic competition and also has brought us closer in terms of capabilities and technology to some of the best cloud platforms out there as offered by the global players.

The basic difference between the public and the private cloud is that in a public cloud, you offer the customers the freedom to cut down on the spending. Now, when people have the confidence of being able to cut down their spend any time, and they won't be struck in a contract forever on a particular spend, they are happily able to scale up their spends on that particular cloud platform. So, that's one of the very basic advantages of being a self-service public cloud platform.

Now, let us also talk about how we have improved our offering over the last quarter. So, during the last quarter, we have launched and made rapid progress on many new services and features. So, we have launched TIR, which is a Advanced AI/Ml workload environment, which allows people to run their AI/ML workloads much more easily. We have launched additional security features in the form of security groups. We have launched life cycle management for our database-as-a-service product.

We have improved our advanced load balancing, which provides better capabilities to route the inbound traffic for the workload. We have improved our cloud native platform based on Open-Source Kubernetes by additionally adding the container registry to our platform. We have launched a simple queue service, compatible service E2E queue service, and lastly, the object storage platform we have added the replication feature, which allows multi-location replication.

So, we have broadly explained basically who we are, what we are doing today, how we are innovating today. So, from a business perspective, like, how we do, how we conduct our businesses, like, we are a B2B business. So, a lot of B2B business in the infrastructure-as-a-services marketplace is driven by the proof of concept that we run with our customers.

So, to be able to do more proof of concept, we need to invest more in expanding our capacity. So, broadly that is the theme of our investment in our infrastructure-as-a-service over next couple of years apart from investing more into R&D function and building additional features.

So, overall, we remain very confident of the industry dynamics and the positioning of our company, and our performance continues to remain strong in the last quarter with the additional monthly recurring revenue brought in.

And now I would to hand over to Megha – our CFO, to highlight some of the key financial and operational highlights of the quarter under the review. Megha, please.

Megha Raheja: Thank you, Tarun, and good evening, everyone. I will summarize the performance for Q1. For Q1 financial year '24, the company has reported consolidated revenue of 19.5 CR INR. We grew at 28.3% year-on-year in revenue terms. Our EBITDA stood at around 10 crores, which is at 41% year-on-year growth representing an EBITDA margin of 52.82%.

Profit after tax is at 7 crores, which we grew by approximately 170% year-on-year. The PAT margin is reported at 35.9%. Our revenue growth is a function of consistently increasing the monthly recurring revenue.

We continue to maintain healthy operating margins and generate robust cash flow. While our enhanced margins can be attributed to improving operation efficiency as a proportion of cost in R&D and platforms which are declining as a percentage of sales.

With that said, I am happy to now answer any questions that anyone may have.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: I just wanted to understand few basics about the company. So, how do we bill our clients? Is it a monthly-based billing or the monthly recurring revenue that you talk about? So, is it a monthly billing and, you know, like, what are the retention rates in our company for the clients?

Tarun Dua: So, mostly the invoicing for majority of our customers is done monthly. The billing is typically hourly usually, and apart from that, you asked the question about basically the renewal. So, typically, we see medium customer typically has a lifetime value of multiple years.

Ankit Gupta: And let's say, you know, given that we compete with very large players, you know, with lot of financial muscles as well, and there is a brand name also associated with these players. So, let's say, for an SME or some other small Industries, like, what advantage do we provide to them? Like, is it just the price advantage with which they switched to us or now what is our USP to the client?

Tarun Dua: See, one of course is very important, the price advantage is very important, of course, especially with the increasing cost of compute in the AI/ML and deep learning space where the proportion of compute utilization is far more. So, there obviously the price advantage is there.

Secondly, there is an advantage of the kind of being able to deal with a similarly sized player who is very focused on your requirement. And thirdly, we have worked with our customers over last many, many years to improve our product for focusing on features which are required by our customers. So, basically, similar customers also benefit from whatever we are building for our customers today. So, that product market fit is also an advantage for the customers.

Ankit Gupta: And what will be the pricing difference between, let's say, us and some of the larger players like, you know, AWS or Azure, Microsoft Azure?

Tarun Dua: See, basically, any Hyperscaler would focus on providing services to the smallest customer paying a few dollars per month all the way to somebody paying a billion dollars a month or half a billion dollars a month.

So, in our case we focus on the products and features and services that are required by somebody who will spend in our sweet spot essentially. So, which can be anywhere from somebody spending a couple of thousand rupees to say Rs. 20 lakhs, Rs. 30 lakhs a month. So, that is our sweet spot.

So, all our features and the scaling decisions that we make are geared towards that. There is segment for a mid-market customer to be able to work with us because of our focus on that particular customer segment.

Ankit Gupta: And you talked about, you know, demand being driven by AI/ML adoption, which is happening across the industry as well as, you know, educational institute. If you can broadly elaborate, you know, why are we getting more advantage out of that compared to, let's say, some of our major peers?

Tarun Dua: So, exactly for all the same reasons that I already mentioned, they all apply to the AI/ML and deep learning workload as well.

Ankit Gupta: And do we have any edge in those services, AI/ML?

Tarun Dua: So, the edge in technology is all about the product market fit. So, obviously, we have been an early mover into all these workloads. So, essentially, we understand what the customer is trying to do, and we are geared towards helping our customers, and that creates an advantage.

Ankit Gupta: And last question was on the depreciation policy change. So, you know, we have increased the life of our assets. So, any particular reason why it was earlier three years and now it has been enhanced to six years?

Tarun Dua: I will let Megha answer the question.

Megha Raheja: We are seeing the method of depreciation from WDV to SLM, and the life of asset has been devised from three years to six years which is in alignment with the actual life of asset. Asset is in compliance with scheduled to company's debt also if you prescribe six years as the life of assets of computer equipment.

Ankit Gupta: So, normally in our industry, do we see, you know, very fast technology change? So, is real life actually six years or let's say life of our servers and all, like, how is it six, seven years or less than that?

Megha Raheja: Actual life of asset is around six to seven years in our business.

Moderator: Thank you. The next question is from the line of Kshitij Saraf from Tusk Investments. Please go ahead.

Kshitij Saraf: Just wanted to understand how competitive the landscape is in India? Who all does E2E Networks compete with? Also, with regards to the Hyperscalers, is it possible for them to offer bundled products at subsidized rates to the SMEs? Is the focus there? How is the competitive intensity, right?

Tarun Dua: So, we have existed since 2009 and last 10 years we have competed with the Hyperscalers and of course, we have the pricing advantage due to our thing small and nimble and being very focused on building whatever customers need than building everything under the sun that Hyperscalers typically do.

Now, that being said, like, the competitive intensity, of course, remains high, and as I earlier answered, essentially, it is also about fitment and size of a customer, how they fit well with us, and that fitment of the size of the customers and with what we are building in terms of our product market fit in terms of technology and features. So, that that created a sustainable advantage for the customer. I hope I was able to answer your question.

Kshitij Saraf: Yes, absolutely. And with regards to the CAPEX plans, would you plan to spend most of it on the GPU portion? And if so, how is the demand like? And what would be the outlook? So, the basic question here is, are we looking at some sort of a linear growth which should be kind of limited by the power of the GPU itself? Or is this a non-linearity component to that as well?

Tarun Dua: I am sorry. I didn't really understand the question but let me take a stab at it. So, yes, the GPU typically is a much higher-powered compute compared to the CPU, and consequently, it costs a lot more, and since we are very, very focused on the AI/ML and deep learning domain today and those particular workloads, most of our CAPEX is going towards enabled these particular workloads. And does that answer your question?

Kshitij Saraf: Yes. Let me just rephrase. My question was more around sometimes or rather in these times, we would actually face constraints on the supply side. I mean, are you seeing that sort of a constraint when you go ahead with the expansion plans with respect to the GPU?

Tarun Dua: See, we have been in the business for more than nearly about a decade and a couple of more years and obviously, the supply of hardware, the high-tech hardware always moves in cycles. So, there would be cycles where the supply constraints are there. There would be cycles where the supply constraint loosens up. So, that's a very normal part of the business cycle over here. So, obviously, we plan ahead and try to mitigate these concerns and we would be able to service our customers well. So, obviously, everyone gets impacted by the supply constraints and everyone figures out their own particular and unique solutions towards that.

Moderator: Thank you. The next question is from the line of Keshav from Niveshaay. Please go ahead.

Keshav: I just wanted to ask, like, as you can see, there is a global shortage, semiconductor chip demand. So, how do you think from the costing purpose of the GPU, how do you view the scarce of the semiconductor?

So, I was discussing that as you can see that there has been surge in the price of semiconductors due to which the price of GPUs has been rising. So, coming to the costing part, how do you see the upcoming cost for customers and your CAPEX plan?

Tarun Dua: So, that is uniform for everyone. So, basically, when the cost of semiconductor rises, everyone pays a higher cost, and proportionately, for everyone, the input costs rise, and obviously, the compute demand kind of is not super dependent on the price as such. So, ultimately, kind of the cost gets passed on to the customer itself.

Keshav: What do you think are the entry barriers to our industry apart from the hike effects?

Tarun Dua: So, apart from the CAPEX, the industry barriers are also about technology. So, essentially, when somebody says that okay, a new software is launched, that launch at the time of launch is only 10% of the work done. 90% of the changes to that software and technology will happen over its lifetime over the next many years.

So, essentially, like, having been in this technology business for many years, what we can say is that once you have initially launched something, it will take many, many cycles of changes for their technology to mature.

So, essentially, that technology maturation cycle is what is giving the competitive advantage eventually. So, obviously, there are enough people in the world who can make the CAPEX for any amount essentially. That doesn't necessarily mean that that CAPEX itself is the only requirement for being able to service the customer. So, technology is a very, very important part of being able to service the customer.

Moderator: Thank you. The next question is from the line of Saurabh Sadhwani from Sahasrar Capital. Please go ahead.

Saurabh Sadhwani: I wanted to understand 80%, you said that the 80% of customers are using the self-service public cloud. So, what is the business model for the remaining 20%?

Tarun Dua: So, remaining customers are utilizing private cloud, which is more static in nature, which means that any changes to their cloud configuration would take days rather than minutes or seconds, but broadly, it's very, very similar to the public cloud except that your scale ups and scale down happens in days and weeks rather than happening in a few seconds via an API call.

Saurabh Sadhwani: So, are these then these might be long-term contracts, right? Given that they are private, you might have a long-term contract.

Tarun Dua: Mostly, we have followed the contractless model from the very beginning of our company. So, mostly these are not long-term contracts as such, but what we have seen is that the lifetime value of the customer remains high, both on the public and the private cloud. There is not a massive difference between public and private except that the public is technically slightly ahead in terms of the time taken to do things on the public cloud is obviously shorter.

Saurabh Sadhwani: So, is there any training required for the software engineers to, you know, use the self-service part of your cloud?

Tarun Dua: No, it is quite intuitive. So, it's not, the learning curve is not very deep over there, but obviously, the software engineers are expected to know what they are doing. But still there is our cloud platform team with the ability to hand hold and help the customer.

Saurabh Sadhwani: So, there would be very little friction for someone shifting from Azure or AWS to E2E, right?

Tarun Dua: Obviously, migration can be lift and shift migration can be easy.

Saurabh Sadhwani: Not migration of systems, but for an engineer, it would be very little friction to move to use this E2E's ecosystem, right?

Tarun Dua: Right. So, obviously, somebody familiar with one cloud platform would understand the another cloud platform very, very easily. So, there is no relearning required to kind of migrate from one cloud platform to another, but of course, there are business constraints in terms of the proper project planning being required to migrate from the on-premises to a cloud or from one cloud to another. So, obviously, depending on the size of the installation, it could be anywhere between say, a few days to few weeks to few months or for very large enterprises could be very well running into a year plus kind of time frame service.

Moderator: Thank you. The next question is from the line of Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.

Ayush Agarwal: Sir, what I wanted to understand was the amount of CAPEX that you plan to do in the next one to two years and how do you see the utilization for the same? Like, is there a lag after we do the CAPEX ? And how much lag is there?

Tarun Dua: So, let me start with the second question. So, the lag depends on kind of like, so it varies between business cycles. So, sometimes when the demand environment is very conducive, there would be potentially very little lag. Sometimes the demand environment can be a little flat. So, there would be a couple of months lag before the utilization rates shoot up.

Now, with regard to how much we are planning to spend, obviously, it's kind of difficult to place it on a timeline of couple of quarters, but over the medium term, obviously, we want to invest massively in building our capacity. Maybe Megha can chime in over here and may give an idea of some idea about cover plan for the CAPEX.

Ayush Agarwal: Sir, I was not asking for a couple of quarters, but for a couple of years the CAPEX amounts that we plan to do especially in GPU.

Tarun Dua: So, over next couple of years, we obviously kind of intend to invest a couple of hundred crores to ramp up our capacity and yeah, that's the plan definitely.

Ayush Agarwal: And that should be mostly into GPUs?

Tarun Dua: So, it boils down into all parts. So, GPU alone will not work for any single customer. So, obviously, along with the GPU, you also are required to invest into the CPU, into the storage, into the networking gears, and a couple of other pieces of hardware. So, essentially, you have to build the entire ecosystem around the GPU alone.

Ayush Agarwal: If you can talk a little about the relationship that we have with, you know, NVIDIA**,** and what does the preferred supplier mean that if you can talk about that? Because as we understand, it is very difficult to source GPUs, especially the H100 from NVIDIA given the demand.

Tarun Dua: So, basically, there is no exclusivity in the relationship with NVIDIA, like, obviously, from an industry perspective, we work together with everyone including NVIDIA, whoever are the bigger suppliers of the high technology chips. So, whether it is Intel, whether it is AMD, whether it is NVIDIA, these three being the major providers of high-tech computer chips, we work together with all of them. And obviously, I think this question was also answered in the other forms that there is a tightening of supply chain.

So, there are all these things go in cycle. So, the industry moves in cycles. So, there is always shortage, which kind of gets resolved over a couple of quarters. So, those things keep happening, and those things keep getting resolved. So, these are, in our belief, these are all short-term issues. So, we don't see the environment remaining the same for forever.

Ayush Agarwal: But given, you know, the tight supply crunch of the GPU computes, do you see that this relationship as a preferred supplier will help us getting the GPUs faster maybe than other players in India? Is that an arrangement or how does it work?

Tarun Dua: So, I don't know how to answer this question. So, essentially, basically, the goal of everyone in the supply chain is to bring the compute to the end customers who have the demand. So, we are a very essential part of that ecosystem, and obviously, we will do our bit, and the other parts of the supply chain would do their bit. So, the goal is obviously to service the customer.

Ayush Agarwal: Sir, in the CPU compute, what would be the churn rate of our customers in the last two years? Because what we have observed in the past is that, you know, when customers scale to a certain size, they maybe move to a larger Hyperscale Cloud compute. So, do you still see that happening? Or how do you we stop, you know, this from happening? Any thoughts on this?

Tarun Dua: So, I guess, that is a not cast in stone that a customer has to grow big and then they have to migrate out. That is definitely not cast in stone. So, as we have increased in our size, and the customer has a particular size of the compute, typically, we see the amount of compute we have is of the order of 20x or 25x of our largest customers. So, in that sense, like, we don't see that as a manifest destiny that a customer will grow big and the customer has to move to a Hyperscaler. So, I believe that the customers will grow big and potentially we will be able to continue to service them.

Ayush Agarwal: And if you can talk in what scenario they may migrate and, you know, why are we unable to retain them, if you can talk of a recent instance, not in the past?

Tarun Dua: So, I guess, that is in the past, I would rather hear from the customers actually who are migrating, why would they migrate out, like, right now we are not having any of these kind of conversations.

Ayush Agarwal: So, what is our churn rate? Less than 10% you mean?

Tarun Dua: So, there are multiple ways in which we calculate churn. So, mostly the target customer, the medium-sized customer, we don't see a very significant churn, although it's very, very difficult to calculate churn in a very dynamic environment.

So, for example, the relationship might be the same, but the same customer might be running multiple organizations and kind of what appears to be an app down of compute at one place. In another account, that same customer might increase the same ramp up of compute. Then that is the (inaudible 00:50:43) workload. The AI/ML workloads are (inaudible 00:50:46) workloads, very, very projects driven.

So, essentially, the customer might stop the activity in one quarter. Maybe in the next quarter, again they take a break. Third quarter, they again come back. So, very, very hard to accurately model and answer the question about percentage churn. (Inaudible 00:51:05) the reason is small to be kind of this being statistically not possible to give a very accurate answer.

Ayush Agarwal: Sir, final question from me is that what would be our revenues currently from GPU compute services of the total pie?

Tarun Dua: So, again, it's a very difficult question to answer. I think somebody asked are you going to invest only in the GPU? So, typically, what we are looking at is AI/Ml customers being the major drivers for future growth in terms of the workloads that we are serving for our customers, and that has been the case for past sometime as well. So, the major growth is coming from those kind of workloads.

Now, there is no segregation of what part is being run on the GPU, what part is being run on the CPU as such very cleanly, and those services, of course, are not in isolation. So, anyone using a GPU is also going to use CPU. Anyone using a GPU is also going to use storage and many other cloud services. So, it's not a super clean separation to be made. But broadly, the primary driver's workload for new customers that we are getting, majorly, we are saying a very major proportion is on the AI/ML and that majorly uses Cloud GPU.

Ayush Agarwal: Sir, one final question if I can squeeze in. What I have observed is that and speaking to people in the industry is that on GPU computes, there is a lot of these AI/ML companies mostly run their models, right? And their data localization is not a very strong theme. So, do you think that E2E in GPU computes in the A100 and the H100 is cheaper, at a global competitive level, because people, even startups in India or maybe outside of India, they do look for cheaper alternatives, because GPU compute is a very significant cost to them? So, do you think E2E is globally competitive in terms of GPU compute services price-wise?

Tarun Dua: See, there is a apples to apples comparison on services. So, we have mentioned that we have been in the business of building this technology for the past 10 years. So, obviously, it is not complete price alone that determines where the customer is going to run their workloads, and yes, the customers do tend to look for globally competitive alternatives.

But it's the whole package. It's not simply not somebody is offering a service which could be significantly different from yours but has the same kind of label in terms of okay, the two of the SKUs that you mentioned, and it suddenly becomes exactly the same service. That is not the case.

So, another thing is, of course, we intend to be very, very competitive in terms of pricing for our customers. So, as long as there is not a super significant difference from the very cheapest class of service but almost at the same quality level with us, we don't see that as a significant threat.

Moderator: Thank you. The next question is from the line of Nirav Rajendra Shah from Taurus Securities. Please go ahead.

Nirav Rajendra Shah: Sir, can you please outline the management vision for the company for next five to seven years? And what are we doing to really achieve that?

Tarun Dua: See, as a technology company, like, essentially, we intend to remain very nimble and fast moving, and essentially, when there are broad technology trends which start to become visible, and we intend to exercise our judgment these are the trends that we should invest into.

So, we should obviously focus on the R&D into those trends early and be an early mover into those trends. Very similar to the way we were one of the early movers into the trend of increased reliance on AI/ML and deep learning technique.

So, similarly, if there are new areas which would emerge, then we want to keep on top of those trends and capitalize on those. And next five years, obviously, the vision is to kind of continue to service the needs of our customer base in terms of their infrastructure-as-a-service need and keep expanding our portfolio based on the customer requests for additional features and additional services. So, broadly, that is the broad playbook, and the vision is to continue to execute the playbook as efficiently as possible.

Moderator: Thank you. The next question is on the line of Arpit Jain from Cap G. Please go ahead.

Arpit Jain: First of all, congratulations to the management for the stellar number. I just have couple of questions regarding your two products. First one is regarding the TIR AI platform. I could see in the presentation that it has been helping the AI clients. So, I wanted to know how is the feedback on this from our client? And how is this platform helping the ML training and deployment simplification?

Tarun Dua: So, very good question. It's very, very early in the journey of the TIR platform. So, it is still there are a few, very few customers using it in production right now, but we are getting a lot of feedback, and we are making a lot of improvement.

So, quantitatively, it has not yet become a major driver of numbers today, but we should see basically how it performs in the coming days. And there are a lot more product enhancements and features under the same framework essentially that we plan.

So, kind of early to comment on how it could help the overall ecosystem, but yes, the early feedback has been very good. So, people have started using it, and that is making difference in terms of the amount of time people spend to go from starting a service to starting to use that in production.

Arpit Jain: That was a very detailed answer, sir. Any numbers or any scope you want to comment here for this platform?

Tarun Dua: Like I said, it's right now from a quantitative perspective too early to comment, but hopefully, over next couple of quarters, it will kind of get deeper into how the platform is doing.

Arpit Jain: I just had one more question. So, I wanted to know on the H100 compute side, do we have any sort of capacity there? I see there is a lot of demand and weightlifting for this compute. So, how E2E is placed to have any capacity with?

Tarun Dua: So, we are building capacity and deploying capacity on the H100 side.

Arpit Jain: So, any numbers or any you would to share, how much is the capacity we are doing?

Tarun Dua: See, right now the environment is such that we would want to put out any kind of numbers once we have deployed.

Moderator: Thank you. The next question is from the line of Pradeep Chaudhary from Saamarthya Capital. Please go ahead.

Pradeep Chaudhary: Sir, a repeat question on the H100. We see that on your website, you have placed a request for, I mean, a wait list request for customers, and globally, since there is a very large backlog for this equipment, the industry scenario right now is that these equipments get pre-booked before even they are delivered to Cloud providers. So, how is it for us? And what proportion of the capital spend that…

Tarun Dua: See, I said I have tried to answer this question. So, see, basically, of course, the demand tends to get magnified, because the one, there is a unfulfilled portion of the demand that gets magnified across multiple service providers and that kind of shows up as backlog at multiple places.

Now, that being said, ultimately, the goal of the entire ecosystem and the entire supply chain is to go and service the customer who has the actual workload to run. So, us as a part of that supply chain and the rest of the supply chain is very, very focused on kind of delivering the services to the customer.

So, ultimately, wherever the actual demand is that would get fulfilled. There could be short-term hiccups, short-term bumps, but wherever there is a demand, ultimately the goal is to fulfill that. So, that that will definitely get fulfilled.

Pradeep Chaudhary: Are we confident of securing these equipments over the next one, one-and-a-half years?

Tarun Dua: Yeah, that's a very long period of time. So, all these were temporary problems that will get resolved over the next couple of months is what we believe.

Pradeep Chaudhary: And in your initial remarks, did you say that revenue growth over the next several years could be in the range of 40% to 50%? Is that what you said?

Tarun Dua: So, we believe that over next couple of years, we should be able to do the revenue growth of 30% to 40%. That means that with a caveat that as a small company, that growth could be lumpy.

Moderator: Thank you. The next question is from the line of Ashok Kumar from Dalmus Capital Management. Please go ahead.

Ashok Kumar: If I recall the number of employees, we had last year was around 85 or so. So, what kind of employees, number of employees we supposed to have this year, in the next year? Any, you know, acquisition of employees?

Tarun Dua: So, I think we will continue to hire in all areas of our company including R&D, including sales, including in operational support for the customers, the cloud platform team. So, as we grow, we continue to hire people, but obviously, the base platform exists and the growth in terms of the base platform will not be in exact same proportion as the growth of revenue.

Ashok Kumar: I see. So, employees' addition may not be, you know, that much material you mean to say?

Tarun Dua: Like, we are a product company. So, basically, the cost will not increase in the same proportion as revenue. There is a direct correlation between the two.

Ashok Kumar: Can we know then what is the number of employees at present?

Tarun Dua: I guess, like, Megha might be able to answer that question.

Megha Raheja: We have crossed 100.

Ashok Kumar: We crossed 100. That's okay. Now, the second question is that if I see your annual reports, the kind of depreciation, amortize expenses is around 20 crore in the year March '23. So, I suppose that is the kind of CAPEX you had in that year?

Tarun Dua: Again, I think Megha would be able to better answer this question.

Ashok Kumar: What has been the CAPEX in the years '20 to '23, the financial year which has passed, just passed?

Megha Raheja: So, our CAPEX of financial year '22-'23 was around 25 Cr.

Ashok Kumar: 25 crores. And what is the kind of CAPEX we are hoping for in the current year and the next year? Because further years the CAPEX visibility may not be there, but at least for the current and next year some kind of visibility may be there.

Megha Raheja: So, we have already incurred a CAPEX of more than 10 CR in Q1, and we continue to invest heavily in CAPEX over a period of time.

Ashok Kumar: So, you meant to say, it may reach at least 50, 60, if not more easily…

Megha Raheja: Right.

Ashok Kumar: In the current. And the next year?

Tarun Dua: See, our business is basically very, very dependent on having the capacity available upfront. As a cloud operator, you need to have a capacity upfront available so that the customers can come in and do proof of concept with us. So, obviously, that is a function that we want to maximize essentially. So, whatever we kind of generate, we want to deploy as much additional capacity as we can.

Ashok Kumar: And I am only trying to understand, you earlier said that the kind of couple of hundred crores we want to have CAPEX over next two, three years. I was just trying to understand…

Tarun Dua: It takes couple of years. I wouldn't say exactly two to three years.

Ashok Kumar: Yeah, maybe, maybe any number of years. So, I just wanted to have some idea, where will our CAPEX reach maybe next year or maybe next to next year? Approximate. Not tied down to any numbers, but approximate as you see it today.

Tarun Dua: So, as much as our system allows without getting destabilized, we would to make that much CAPEX.

Ashok Kumar: Next question is that the CAPEX will be from internal accruals or we want to go for some kind of raising of funds?

Tarun Dua: So, we definitely want to raise a lot more debt than we currently have.

Ashok Kumar: You hardly have any debt at present.

Tarun Dua: So, we definitely tend to raise significant amounts of debt to finance the CAPEX aspiration.

Ashok Kumar: And then the next thing is that if I am right that your concentration of the customers is mainly on North and West? Am I right, the nature of the business?

Tarun Dua: No. So, we have customers all over India. So, the North, West and South, of course, are the more developed parts of the country. So, we definitely have more customers from all these three regions, and East will eventually of course catch-up things we hope. So, we have customers all over India.

Ashok Kumar: No, I am not denying that. I am saying the major concentration probably happens to be North, Northwest, West, and maybe West to South, something like that. Probably the belt of Central, Eastern and East, South that belt is not that much covered. Am I right or not?

Tarun Dua: I honestly don't know because that's not the way we look at the customers in terms of geography, we are quite geography agnostic in that sense.

Ashok Kumar: So, my submission is that we may have an analysis of the customers and see whether we are neglecting any industrial area where, you know, our reach maybe beneficial to the company.

Tarun Dua: Certainly, sir, we will take that into advisement and try to figure out if there are any gaps in our approach.

Moderator: Thank you. The next question is from the line of the Devesh from DS Investments. Please go ahead.

Devesh: I just have one question. And I am sorry if you have already answered it. I joined bit late. Can you comment on our relationship with NVIDIA and how do you see, you know, our growth playing out with the GPU growth side of things? Like, what I am trying to understand is, is there an exclusivity or some sort of relationship that we enjoy as the preferred partner or something that?

Tarun Dua: No, we do not have any exclusive relationships with NVIDIA that they can't have with other people. That being said, we work very closely with all our partners, including NVIDIA to service our customers.

Moderator: Thank you. The next question is from the line of Harinder Singh, an individual investor. Please go ahead.

Harinder Singh: I have a couple of questions. So, can you tell us for our customers, who do you majorly see as a competitor of us?

Tarun Dua: So, basically, for every deal essentially, we look at okay, who is the competitor? So, typically, we see both, like, majorly we see Hyperscalers as our competitor today, so, where typically the customer is working both with us as well as the Hyperscaler.

So, this is an era of multi-cloud. Multi-cloud means that no particular customer will be able to use a single cloud for all their workloads. So, essentially, that means that they would have a certain percentage of workloads run with us, certain percentage of workloads run with other people.

So, essentially, over a period of time, all the cloud operators running the workloads for a particular customer would try to get a bigger share of the newer workflows as well as the existing workloads. So, to answer your question, yes, we majorly see Hyperscalers as our competitors.

Harinder Singh: So, when you say that companies are using a multi-cloud setup, so in a multi-cloud setup, is it some specific kind of specialized for which customers come specifically to us and not other clients?

Tarun Dua: So, basically, we better the fitment of the product for the customer and that fitment also includes the pricing component. So, based on that, the customers majorly make a call on what works close to run there. Sometimes a better specialization on a particular workload also result that workload being on a particular cloud platform.

Harinder Singh: And so what's the current waiting period to buy NVIDIA H100? And in our current inventory of H100, what is the utilization we have?

Tarun Dua: See, there is the what you call the form of war. So, we would be lifted when essentially you are able to kind of see it delivered. So, what I would say is yes, there are too many reports, too much, what you call, kind of a lot of newsiness about basically the kind of demand and kind of the timelines. So, I would say, let's wait a couple of months for things to clarify.

Harinder Singh: Do we currently have H100 for the medium? And by when do we expect them to be delivered?

Tarun Dua: So, we definitely have a plan to deploy the H100, and we should see that those requirements coming online in the next couple of months.

Moderator: Thank you. We will move on to the next question that is from the line of Kanhu Charan Swain, an individual investor. Please go ahead.

Kanhu Charan Swain: Sir, the question that I have is a broad future vision of the company. So, if I see the big tech companies, they are making crores of revenue from India. So, do you have such any plan to compete with them in future, how can we compete with those big tech companies?

Also, I want to understand what do we lack to service the big clients because right now we are targeting small enterprises and startups, but what can we do to onboard big clients? Or do you have any plans for the future?

Tarun Dua: Sure. So, let me start from the last question first. See, essentially, when we initially launched our public cloud, what we thought was that the ARPU of a typical customer would be in the range of say $300 to $1,000 or say Rs. 20,000, Rs. 25,000 a month as a median going up to maybe Rs. 1 lakh, Rs. 2 lakh. So, that was our initial thought process at that point of time.

Now, over a period of time, as we have built more and more features, we are now confident of serving larger and larger customers through our technology. So, where we have also seen an increasing ARPU on a per customer basis and especially on the target group being targeted, we are saying increasing ARPU is being targeted by our team, and also an actual increase in the ARPU from the customer side. So, basically, it's a function of what all capabilities we were able to provide. So, we are not in any way limited to SME. We are happy to service higher education in research. We are happy to serve the enterprise as well and any kind of customers based on the specialization of the workload that they want to bring to our cloud platform. Does that answer your questions, Kanhu?

Kanhu Charan Swain: Yeah. And in the opening remarks, you said you have a data center in Mumbai and Noida, sorry, Gurgaon. So, do we own those dishes, or we have some racks only in those?

Tarun Dua: No, so we don't own physical data centers we take the rack on co-location from much larger data center players Entity and others.

Kanhu Charan Swain: In terms of finance, I see that in our last five years sales growth and PAT growth is below 20%, while the overall market was growing more than 20%. So, you said we are planning to grow next three, four years more than 30% level.

Tarun Dua: I have mentioned actually many times that we are a small company. So, kind of the impact of all events for the small companies can be very, very inconsistent. Now, as we grow larger and largest, like, obviously, we would become more and more consistent, but in the near future, in the medium term, we see same kind of lumpiness ahead of us in the future.

Moderator: Thank you. The next question is from the line of Sameera Medha, an individual investor. Please go ahead.

Sameera Medha: Sir, I was going through your company's website, and I noticed that your company has received certain, a few certifications of ISO. So, I want to know does these certificates open the door of any new opportunities for our company?

Tarun Dua: So, basically, of course, as we have worked for a long time, what I can tell you is that there are many different kind of customers. So, some customers do have a requirement of having the basic certifications in place. So, yes, that definitely increases the overall target market for us as we kind of get traditional certifications.

Sameera Medha: And sir, also, since I have been following your company for past one year, I noticed that earlier on your website, the segment would say countries E2E serves. So, that segment was not there, but now the website shows that E2E has been serving various countries wherein the developed countries names are also there UK and US and Canada. So, have we started catering to overseas customers as well?

Tarun Dua: Yes, we do have a few overseas customers as well apart from the Indian customers.

Sameera Medha: And if you could quantify the percentage of revenue that we get from the overseas customers? Can you quantify the percentage of our revenue which comes from the overseas customers?

Tarun Dua: I guess, like, Megha can better answer this question.

Megha Raheja: It is not much as of now, but we have started serving US, UK and other geographical entities.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Tarun Dua: Thank you everyone for participating in the Earnings Concall. If you have any further questions or would you to know more about the company, please do reach out to our Investors Relationship Managers at Valorem Advisors. Thank you once again everyone.

Moderator: Thank you, members of the Management team. Ladies and gentlemen, with that, we conclude today's conference. We thank you for joining us and you may now disconnect your lines. Thank you.