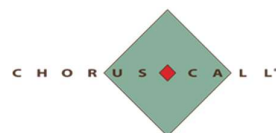




“Dynacons Systems & Solutions Limited

Q1 FY26 Earnings Conference Call”

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DYNACONS SYSTEMS & SOLUTIONS LIMITED  
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**MODERATOR: MS. TANISHKA TANVI – GO INDIA ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Dynacons Systems & Solutions Q1 FY 2027 Earnings Conference Call hosted by Go India 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 this conference call, please signal an operator by pressing \* then 0 on your touchtone phone.

I now hand the conference over to Ms. Tanishka Tanvi from Go India Advisors. Thank you and over to you.

**Tanishka Tanvi:** Thank you, Sonia. Good afternoon everyone and welcome to Dynacons Systems & Solutions Limited Q1 FY 2027 earning call to discuss Q1 FY 2027 results. We have the senior management of the company on call, Mr. Parag J. Dalal, Executive Director and Mr. Dharmesh S. Anjaria, Executive Director and CFO.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company faces.

May I now request Mr. Parag J. Dalal to take us through the company's business outlook and financial highlights, subsequent to which we can open the floor for Q&A. Thank you and over to you, sir.

**Parag J. Dalal:** Yeah, thank you. Good afternoon everyone and thank you for joining us today. We appreciate your continued interest in Dynacons and are pleased to welcome you to our Q1 FY 2027 earnings call.

Q1 FY 2027 was an important quarter for the company marked by strong order inflows, continued margin expansion, and significant strategic wins across private cloud, data center infrastructure, AI-ready infrastructure, and enterprise technology solutions.

While revenue for the quarter was impacted by the timing of deliveries and extended OEM-led times affecting execution of certain orders, the underlying demand environment remains healthy and our order book strengthened significantly during the quarter. We therefore view the revenue impact as a timing-related issue rather than any change in customer demand or business momentum.

The broader technology landscape continues to be shaped by the rapid adoption of AI, cloud computing, cyber security and data center modernization. Enterprises and institutions are increasingly investing in mission-critical digital infrastructure, creating long-term opportunities for trusted technology partners with strong execution capabilities and deep customer relationships. Dynacons is well-positioned to participate in this opportunity through its integrated offerings spanning data centers, cloud, AI-ready infrastructure, cyber security, digital workplace solutions, and managed services.

During the quarter, we secured several marquee wins from leading institutions including the Reserve Bank of India, NPCI, Central Bank of India, and J&K Bank. These wins reinforce our

position as a trusted partner for some of the country's most critical technology infrastructure projects and strengthen our visibility across both project-based and recurring revenue opportunities.

Our strategic priorities remain unchanged. We continue to focus on expanding our data center and cloud business, strengthening our AI and cyber security capabilities, increasing the contribution of managed and annuity-based services, and continuing to deepen relationships with customers across BFSI, government, PSUs, and enterprise segments.

With that, I will now hand over the call to our CFO, Mr. Dharmesh Anjaria, to take you through the financial performances and key developments during the quarter. Thank you.

**Dharmesh S. Anjaria:**

Thank you, Parag, and good afternoon, everyone. Q1 FY 2027 was a quarter of strong order momentum and improving profitability. Even though the reported revenue was impacted by execution timing of certain projects, our focus during the quarter remained on strengthening our order book, executing large customer engagements, and positioning the company for long-term growth in high-value technology infrastructure segments.

Let me address the revenue performance for the quarter. Revenue from operations for Q1 FY 2027 stood at INR313 crores as compared to INR328 crores in Q1 FY 2026 last year. The primary reason for this temporary decline is due to the extended delivery lead-times on certain orders due to OEM and supply chain lead-time issues which have deferred execution and revenue recognition during the quarter.

Importantly, these orders remain on hand and the customer demand remains intact. As delivery and project milestones are completed, the corresponding revenue recognition will also follow. Therefore, we view this as a timing-related impact rather than a weakening in the underlying business environment.

Profitability remained strong for the quarter. EBITDA for the quarter increased to INR40 crores, profit after tax stood at approximately INR20 crores, and earnings per share stood at INR15.54. These results reflect continued discipline, a favorable business mix, and an increased contribution from higher value infrastructure and service engagements.

The most significant development during the quarter was the strength of our order inflows. We secured a INR750 crores mandate from the Reserve Bank of India for private cloud infrastructure, a INR267 crores project from NPCI for the data center augmentation, a INR125 crores mandate from CBI involving AI-ready infrastructure and containerization platforms, and a INR25 crores ERP implementation engagement from J&K Bank among other orders.

These wins further strengthen our positioning across private cloud, data centers, AI infrastructure, and enterprise technology platforms. As on date, our order book stands at approximately INR3,104 crores, providing strong visibility for future execution. Importantly, the order book contains several multi-year engagements with embedded support, managed services, and recurring revenue components that enhance revenue visibility and customer

stickiness. Our immediate focus is on disciplined execution and conversion of this strong order book into revenue.

In addition, our bidding pipeline stood at approximately INR6,650 crores across data center and cloud, networking, workplace solutions, and managed services. This pipeline together with our existing order book and the deep customer relationships that we have provide a strong foundation for future growth opportunities.

Looking ahead, we remain focused on growth, disciplined execution, improving revenue quality, and increasing the contribution of recurring and annuity-based businesses. We continue to see strong opportunities across data center modernization, AI-ready infrastructure, cyber security, and managed services and we believe that Dynacons is well-positioned to benefit from these industry trends.

With that, we will now open the floor for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhi Jain from AJ Capital. Please proceed.

**Abhi Jain:** First of all sir, I know it was a tough quarter given that the growth was stagnant. But as I've said earlier also, I believe that the long-term trajectory and what you guys have done over the last 10 years is phenomenal. So, hoping that this was just a glitch and you will be back to your growth phase.

Sir, I understand you don't give guidances and you have been pretty transparent in terms of sharing all the order wins and all the deal wins that you have been getting. But just because to investors who are there and constantly tracking your company, it would help us to understand how are you seeing quarter two, quarter three because you are in the middle of quarter two now. It was already guided earlier on the call that quarter one was not basically a slow quarter, it was just that certain deliveries got deferred.

So, could you just help investors understand and give some confidence as to how Q2 and Q3 are shaping up and are you back on the growth phase that is known for the last 10 years now. So, just some guidance, not in terms of numbers, but just some more details around it would help in terms of what you're seeing and on the unveil?

**Management:** So, as we have you know mentioned this is more of a timing of revenue recognition rather than a slowdown there in demand. If you really see during the quarter, we've had added significant orders across which have been declared also and discussed. The demand continues to remain strong across all the segments there.

As we mentioned the revenue impact during the quarter was primarily due to the execution timelines and the lead-times which have increased. As you're aware across the industry, the demand for AI infrastructure, high performance servers, GPUs, memory, all these has increased

significantly and this has resulted in long lead-times for certain components, which is where this has affected the deliveries there and subsequent revenue in this particular quarter.

Having said that, we are very confident that based on the current visibility, the deliveries are expected to normalize progressively and we are confident of converting this order book into revenue over the coming quarters. So, we expect the normalization to happen over the coming quarters. And we expect to continue the growth momentum that you have seen over the last 10 years, we expect that to continue.

**Abhi Jain:** That's brilliant sir. One thing that has been heartening to see in this quarter and I think in the last two quarters is that your operating margins are steadily inching upwards. You had also hinted at that in the last quarter and achieving a 13% operating margin this quarter is quite phenomenal. And given the play that you are in right, the AI plays, the data structures plays, the data center plays, it seems that you are moving on to a higher trajectory orbit. So, are we to expect that this operating margin will continue to improve from here on and Dynacons has entered a new orbit of mid double-digit operating margin from here on?

**Management:** So, see the improvement in margins was primarily driven by a better business mix, disciplined execution, and higher contribution from value added infrastructure and managed services segments. As you are aware, we do not provide specific margin guidance. However, we continue to focus on the higher value solutions in all these areas where we see healthy demand and attractive business opportunity.

Margins may fluctuate from quarter-to-quarter depending on the project mix and execution timing. But you have seen that our margin profile over the years has been steadily improving there as our business mix has improved and we expect this trend to continue in the future.

**Abhi Jain:** Great sir. Hoping that you have just arrived in one of big leagues now for having operated beautifully in the last 10 years and hope you keep up the growth momentum that you have been delivering and all the best for the future. Thank you.

**Management:** Thank you. Thank you.

**Moderator:** Thank you. The next question is from the line of Madhur Rathie from Counter Cyclical Investments. Please proceed. Madhur Rathie, your line has been unmuted, please proceed.

**Madhur Rathie:** Sir, I hope my voice is audible. Hello?

**Management:** Yes you are audible.

**Madhur Rathie:** Sir so could you give us the pre-Ind AS EBITDA margin for this quarter or the pre-Ind AS operating profit number?

**Management:** Pre-Ind AS, can you just repeat because we lost your voice in between?

**Madhur Rathi:** Sir, so basically this INR40 crores EBITDA in Q1 includes lease rental also which I believe has increased significantly year-on-year, which is basically distorting the EBITDA number because lease rental is from no stretch of imagination is it part of EBITDA. So, if you could just tell us that out of this INR40 crores how much is the lease rent?

**Management:** See the amortizations have been mentioned in the revenue there. Now, see there the lease rental is on account of different type of projects. One is obviously on account of Devices-as-a-Service projects where these are directly contributing to the revenue there. Second is there are certain assets which have been purchased for our Core Banking-as-a-Service project there which are essentially in the capital nature. These are fixed assets which have been purchased on lease.

So, honestly, fully classifying lease assets and removing them completely from this would not be a right measure to correlate the revenue as you have been mentioning because it consists a mix of both of these assets there. However, the amortizations have been mentioned there and you will be able to calculate the same. We are not giving any specific differentiation between these two.

**Madhur Rathi:** Sir actually where I'm coming from is that if we see last year our lease rental was INR30 crores and year before, it was INR11 crore. Sir, this I'm only talking about the repayment of lease rental which is mentioned in the financing activity of cash flow statement and last year our basically right to use asset, it jumped up significantly.

So that is why in this current Q1, since the right to use asset has gone up significantly last year, then obviously, the lease rental would also have increased, which would have distorted the EBITDA number which basically includes the lease rental. Sir so since we do not have the cash flow statement for first quarter from which we can subtract the lease rental that is why I am asking you?

**Management:** Right, right. So, see as a business, you will definitely have seen that as-a-service business has grown over the last two years. So, you will definitely see the increase in numbers there or increase in the lease costs also and the corresponding revenues. So, really if you ask us on this because cash flow is definitely not provided in part of these numbers there, but whatever the amortizations are, they have been provided there with us.

But what we can say safely that whatever the lease rentals which have come in the last year, currently, there is no new project in the first quarter which has been announced there and significant DaaS project has been announced in the current quarter. So, the numbers would be similar to the last year.

Having said that, yes, obviously, since our as-a-service business is growing, the lease cost will be going up there, corresponding. As I mentioned, they will consist of both Devices-as-a-Service and some fixed assets taken on lease for our core banking service.

- Madhur Rathi:** Sir so since the PBT year-on-year is flat whereas the EBITDA shows significant growth, I am assuming the difference would be the lease rental and hence the PBT is flat Y-on-Y. Is that understanding correct?
- Management:** The difference is on account of depreciation also and lease rental both, because there has been capitalization also.
- Madhur Rathi:** In any case. Now, sir the thing is that in the past five years, we have been growing at 27% CAGR, but past three year, the growth has come down to 21% and last year, we grew by around 21% and this year at least the first quarter is flat. Sir but by and large, sir, you think that we can still maintain the 20% plus growth that we have been growing all this while despite the higher base that now we sit at?
- Management:** See, obviously with a higher base, the base effect will always catch up with all companies once the base increases over a period of time. So one, the base effect will set in. Two, revenue impacts, we expect as our business mix is increasing there where we are focusing on more as-a-service opportunities and we are focusing on larger data center and such projects there, we definitely expect this business mix to improve the profitability there and that's what we are working on there.
- So, definitely, we are working towards improving this there and you're seeing that over the last years, we have improved that and we will continue to strive there. We don't provide any margin guidance, so unfortunately, I'll not be able to tell you that what we expect there, but yes, definitely efforts are being on to work towards the same.
- Madhur Rathi:** Sir and this INR3,100 crores order book is executable within how much period?
- Management:** So, some of the projects as I have mentioned in the earlier call also there, some of these projects are five years, some of them are immediate execution projects. If you want to put a number to it, I would say you know 18 months to 24 months average time for the order execution there, but overall some of these are immediately executable to around five years.
- Madhur Rathi:** Got it. Now, sir coming out to the major issue of raw material price increase or whatever the component availability, sir, how are we passing on the prices to customers or are customers delaying the execution cycle in a very short period of time so much higher price increases.
- Management:** So see, as far as passing on the price increase is there, yes definitely because most of our businesses through large projects or through contracted orders, that is where we are able to ensure that the hit of additional cost does not land on us there because we have back-to-back support from the OEMs towards the same.
- Having said that, obviously, when budgets are shooting up by let's say 30%, 50% there, so customers are definitely going to try and see how they can best manage this kind of a scenario there, while certain mission-critical applications they are moving ahead with the purchase there for certain non-critical applications, they are dividing it into priorities there, so immediate

priorities are taken up, others are pushed forward there. So, yeah all this is part of the overall scenario.

Having said that because we have a strong order book, we are very confident there and the demand is continued there. I mean we have a very good pipeline and a very significant demand coming in. So, we are very confident of the revenue growth.

**Madhur Rathi:** Sir so our order book supports our revenue growth, but sir the major question was because when the OEMs raw material or the memory prices are increasing by 40%, 50%, will they still provide a support or in that scenario, can we pass on these prices to our customers.

**Management:** So, so see, in a typical project once a customer order is finalized, it is finalized along with in tandem with the OEM there. So, at that time we have the OEM backing and the prices are already loaded in. So, once the orders are loaded in, the price escalation does not happen. So, that is where we are pretty well-covered there with any price escalation.

**Madhur Rathi:** Got it. And sir for the as-a-service in terms of device and the core banking that we are providing, are we able to get price hikes from our customers for the orders that are yet to be implemented going forward?

**Management:** Yeah because see these projects are not so the Device-as-a-Service is a project which will go depending on the order, like for example let's say currently X customer is taking 10,000 devices. When the next Device-as-a-Service for let's say he's adding additional 5,000 devices, the price does not remain the same, at that time, whatever is the fresh price would get discussed and negotiated. So, these are two separate contracts which would run at different price levels.

**Madhur Rathi:** Got it sir. Just a final question from my end sir there is a new listed company called iValue Infosolutions and they are more into software implementation, so how does Dynacons places against them? And it seems that they are much larger into the software implementation, so if you could help us understand what is the right to win for Dynacons in this segment going forward?

**Management:** Value is in a different business segment there. They are into multiple things, software being one of them, they also do a lot of distribution of hardware, so they are not actually end users, but they supply to companies like us also. So, it's a completely different segment than us. We are more in the large enterprise space both in the BFSI, global enterprise, and in the public sector there. So, for us, the customer segments are different. Two, the kind of pre-qualifications that we carry to execute projects and participate in such projects is entirely different and that's a clear right to win for us.

**Madhur Rathi:** Got it. And sir there is also one player called Inspirisys. So, are they our competitor? Although they are much smaller, but their parent has is much larger on a global level and they seem to be getting aggressive. So, are they our competition and a threat to us right now?

**Management:** Inspirisys, we don't see them in a lot of opportunities as competition. One or two, we have come across but not too much.

**Madhur Rathi:** Got it. Sir thank you so much and all the best.

**Management:** Thank you.

**Moderator:** Thank you. The next question is from the line of Bhagya from ONGC. Please go ahead.

**Bhagya:** Sir good afternoon. Actually, you just told us that there was a dip in the revenue sector and there was a kind of dip in profits as well. You are stipulating that this revenue and the profit growth has happened just because of timing. So, can we assume that this will fold back into next quarter? Will it shift to the next quarter?

**Management:** So, as we have already mentioned that this revenue was impacted primarily by the timing of deliveries rather than a slowdown in demand. So, we definitely expect that the growth momentum which was there will continue there and we are making all efforts to ensure that the product mix suitably helps in the margin expansion also. So, all efforts are being made towards that.

However, we don't give any guidance in terms of the revenues or the margins there. But what we can say is that the growth momentum that we have seen, we remain focused on executing and expect to maintain our growth momentum.

**Bhagya:** The reason that I was asking that in the previous quarter as well the revenue growth was around 17% and, in this quarter, it has fallen into negative territory so that's what I was concerned about because if we see the closest competitors that we have that is which is Netweb, they are growing at an astronomical rate. This quarter, they had a growth of around 170% of revenue on year-on-year basis.

**Management:** Which company did you mention?

**Bhagya:** Netweb.

**Management:** Netweb. Okay.

**Bhagya:** Yes. So, they grew at around 170% and if I talk about the revenue growth on year-on-year basis and the profit growth, it was around 80%. And we feel that Netweb, they are operating into similar segments so in that manner we can say maybe we are losing our customer base to those big companies?

**Management:** So. I would not say so. One, we are seeing a very, very strong order book and strong demand, and the orders are continuing to be executed. So I don't see that there is any change in the overall business momentum.

As far as the quarter which was there last year and this year, we have already sensitized and this is across a lot of companies like us who are listed, our competitors who are listed, who are on a similar or we are much better off than them as far as the revenue growth is concerned there or

sustenance of the order is concerned. So we are very confident that the demand and order growth that we have will continue to help fulfil and maintain our growth.

**Bhagya:** Okay. Sir, there is one more thing that is just for comparison. We have an operating percentage margin of around 6% to 7%. This quarter it has increased by around 4% to 5% and congratulations to all of us that they have improved. But similar companies who operate in this segment. If we take an example of Netweb—then they have an operating margin of around 14% to 15% in the same business.

**Management:** So, again, here I would say that we note your observation about Netweb and we will look at how the business mix can be improved. But again, here I would like to submit that we've shown consistent growth in both the revenues as well as margin profile, and we are working to ensure that the growth momentum in both these areas is maintained.

However, I cannot comment on specific margin profiles for other companies. I can talk about Dynacons and how we see vis-à-vis competition. We feel we are very much better placed off. But I think let's talk about Dynacons. We are confident that we'll be able to grow this further.

**Bhagya:** Again, sir, there's one thing that could you please tell us how much we are spending on R&D? Because I feel that that's the segment on which if we spend, then we can get our long-term growth, only by spending on R&D. So could sir please tell...

**Management:** Specifically, we are not, whatever the R&D expenditure is being done is being done in the regular due course and is being undertaken in the regular course of business. In terms of new technologies, today Dynacons, we are able to implement several large mission-critical applications. You please understand we have done some of the country's largest private cloud deployments there.

We have done some of the country's largest SD-WAN rollouts across the country. The e-Passport network and security implementation has been done by us at the Delhi Airport and at the data center there. The Core Banking as a service is there. So we are implementing a very wide variety of large technology implementations. So I'm pretty confident that whatever initiatives that, we are taking in terms of AI-implementation and new technologies is definitely good enough for this, and we will continue to innovate.

**Bhagya:** Okay. And sir, actually see, our company, it's mainly a system integrator, where we call it as SI company, System Integrator primarily. But if we see, then we will find that we are not having many products. Right now, we do not have many products, but our competitors, they do have those products. And what they are able to do is they are able to co-sell those products to their various customers and use those products themselves in their entire projects. That's how they are able to...

**Management:** But that is exactly what we are also doing. We are able to being a System Integrator. We have access to a wide variety of technologies and products that the customers need. We all build

solutions for our customer needs. Whether a solution is built by ourselves -- see, we are a System Integrator.

A System Integrator is one who integrates various technologies and provides a solution. So we provide solutions, and we are able to, which I mentioned to you, we are able to provide the leading technologies and solutions to our customers.

In fact, we have very, very good pre-qualifications to participate in large bids for the same. So I'm not exactly sure as to what products you're referring to. If you're referring to any IP or any software, that's a different segment. We are not in that segment, so our core business is different.

**Bhagya:** Actually Sir, just for an example, see, we are using NVIDIA's GPUs, Blackwell GPUs, et cetera.

**Management:** Correct.

**Bhagya:** And if we talk about our competitor, just for an example, because what I see is we do not have many competitors in the market, and that's right now it's a good thing because it's a kind of sunrise sector that we are in, this data center and all that.

So one competitor that we have that is Netweb, they are having Tyrone GPU systems, server racks, et cetera. They are named Tyrone. And what they are doing is they are getting these GPUs from NVIDIA, and they have a good relationship and tie-ups with them, so they are using their GPUs and creating their entire range of servers, workstations, et cetera. And they use those things for execution of their complete projects. That's how they are able to maintain higher -- yes.

**Management:** So Netweb is essentially designing and manufacturing their own servers. So it is into a little different segment rather than they are more as an OEM rather than as a system integrator. So I think the comparison is slightly different.

Obviously, being an Indian OEM, they would be bidding with end customers, so they would be wanting to that is how every OEM starts. They would start with bidding directly, and then slowly and steadily once their base grows, they would move to that. But that's a different segment. They are playing a dual role.

While I'm not trying to compare, what we are doing, we are a pure-play system integration company. If there is any manufacturing or this, we will look at it. But currently, the kind of technology support that we have from Dell, HPE, and other brands Cisco, et cetera is really good. So we really are not seeing that, but at the right opportune time we will see whether it makes sense to take it up.

**Bhagya:** Okay. Actually, sir, that was more of a suggestion and less of an inquiry, because by doing vertical integration we would be able to improve our margins. And sir, there is one more question. Sir, see our market cap, it's around INR1,500 crores, and again if I say we are into a

sunrise sector and we are going with the flow of orders and momentum in the data center field, sir, how do you see our market cap and our company will grow in the next 5 to 10 years?

**Management:** Unfortunately, I would not be able to comment on the market cap and the share price growth. But, yeah, from a growth momentum, I think if you see the overall demand that our sector today has, it's pretty significant. With the kind of digital transformation and AI implementation happening across all whether it is at data center, whether it is at edge, whether it is on your end points, at all levels it is implementing. So that is why we see a very good growth momentum, and we see this growth continuing for not only us, but other players in the segment as well.

**Bhagya:** Okay. Thank you, sir, for this. And sir, there is one thing...

**Moderator:** Sorry to interrupt, Mr. Bhagya. May we request that you return to the question queue?

**Bhagya:** Okay. Okay. Yeah.

**Moderator:** The next question is from the line of Bhavana Jain from Avagrah Capital Advisors. Please go ahead.

**Bhavana Jain:** Yeah, thanks for taking my question.

**Management:** Yeah. Hi.

**Bhavana Jain:** So my question is on the – hello? You can hear me right?

**Management:** Yes. Yes. We can hear you.

**Bhavana Jain:** Sir So my question is on the two revenue segments that we have right now broadly. So earlier our margins were in 7%, 8% whatever, so that was because of the hardware procurement or whatever, and then right now we are expanding into the managed services and the opex revenues as well. So can we have a little color on this order book differentiation, like how much is it from the hardware procurement and how much is from the recurring revenues? Because the other revenue is recurring and more cross-selling is expected there, just a color for the next two, three years at least.

**Management:** Yeah. Yeah. Okay, I'll give you an example there. So while we are not sharing a break-up of the order book specifically for competitive and other reasons there, but what we can disclose is we have disclosed the major orders that are received there, and we also disclosed how the business mix of the company is growing in the four segments there: Data Center and Cloud, Networking and Security, Workplace Solutions, and Managed Services.

Now, any project that we undertake today has a flavour of managed services. Like for example the private cloud project of RBI there, or any SD-WAN implementation project, or any core banking project there, all these have a managed services component built into the project there. So that is how we've been able to improve the margin profile over the last few years. So definitely

there is a good amount of services component which is built into these large projects there which has helped us improve there, and this will continue to be so in the future.

**Bhavana Jain:** So, we consider the margin sustainability at least for one or two years, or improvements from here on?

**Management:** Yeah. Yeah, that is what we are working towards and that is what we can see based on the growth momentum that we've had in the past.

**Bhavana Jain:** Okay. Okay. Next question is on this Central Bank order. So in Central Bank order you specifically mentioned that the deployment is of the Blackwell H200 server units order and all that. So is that the client specification or it is the company's requirement? How is that decided on? Because you never mentioned it in any ever order like this, that's the reason for the question.

**Management:** Yeah. Yeah, see, normally whatever is there as part of the RFP is what is mentioned out. So which is where typically whatever is mentioned in the RFP is what we mention out there so when the RFP is specifically mentioned, that's where it would be given out.

**Bhavana Jain:** Okay. Just last question on customer concentration...

**Moderator:** Sorry to interrupt, Ms. Bhavna. May we request that you return to the question queue for any follow-up questions?

**Bhavana Jain:** Okay.

**Moderator:** The next question is from the line of Basant Bansal from NBG Investments. Please go ahead.

**Basant Bansal:** Yeah, good afternoon.

**Management:** Good afternoon.

**Basant Bansal:** My question is on the fixed assets. Last year you have added around INR158 crores in your fixed assets, but in last 10 years you never had a need to build up such a huge asset base. So what things you are doing differently where you had a need of making such huge additions?

**Management:** Sure. So these assets we've added there specifically for our As-a-Service business. So I have mentioned this in our earlier earnings call also that in the last couple of years we've been growing the As-a-Service business there. And when we provide Device-as-a-Service or we provide Core Banking-as-a-Service, the underlying assets which need to be procured have been procured by us: both one as outright purchase there, which are certain critical assets there, and second, some of the assets have been taken on lease there, which have been shown as RTO assets, et cetera there. So this is where for the entire As-a-Service business there, which is what we're seeing. And now this As-a-Service business is actually growing also there.

**Basant Bansal:** Okay. Okay. So based on such a huge asset block, can we expect a good amount of business volume in say next, in five years down the line?

**Management:** Yes, definitely. That's what we are also working towards there. If you see for the Device-as-a-Service projects, we have specific revenues already there from those devices there because they've been procured for that specific project.

For the entire Core Banking-as-a-Service infrastructure, whatever assets that we have procured, obviously we have all the orders from the banks for providing that, and we are further looking at new banks and other banks for providing that services. So we definitely look forward to improvement in the revenue there.

**Basant Bansal:** Okay. Okay. And one last thing from my side: if I ask you that what is your vision five years down the line in terms of top line, can you throw some light on that?

**Management:** Sorry, we're not providing any guidance in terms of any numbers there, whether it is current year or five years there. So unfortunately I'm not able to answer your question. What we could say is that you've seen our growth over the last 10 years there, or probably over the last 30 years how Dynacons has grown, and then maybe you can look at extrapolating that over the next five years.

**Basant Bansal:** Okay. Thank you. Thank you. This is helpful.

**Management:** Thank you.

**Moderator:** Thank you. The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

**Gunit Singh:** Hi, thank you for this opportunity.

**Management:** Yeah. Hi.

**Gunit Singh:** So, my question is regarding this property or fixed assets only, Right-of-Use assets and property, plant, and equipment. So I think it's worth INR158 crores currently. So what is the ROCE we can expect on these assets? And our depreciation has probably gone... in this quarter was INR8 crores, and I think in FY24 our total depreciation was less than INR5 crores if I'm not wrong. So are these assets currently PAT loss-making and we expect them to be profitable in the future? Can you just help us understand?

**Management:** No, no. Historically, our ROCE has benefited from a relatively asset-light business model. However, when we expand our As-a-Service offering, there may be some increase in the capital employed because these assets may be deployed upfront against the long-term contracts.

Having said that, these investments are backed by contracted revenue visibility so, we have revenue visibility against all of these assets there, and it's not that they are loss-making as of currently there. And we have already evaluated their commercial viability, the tenure, funding cost, the expected returns there.

While the ROCE may moderate compared to the historically high levels as our business mix evolves, as the base effect sets in, our focus definitely remains on maintaining the healthy returns

that we have seen through a disciplined capital allocation and profitable long-term contracts. And we are already seeing contracts give the revenue against these assets there. So yes, definitely in the future we will see further revenue being generated there, but it's not as if these are loss-making as of today.

**Gunit Singh:** Got it. So our depreciation has gone up from say INR2 crores to INR32 crores. So basically, if you can help us understand the ROCE expected when you started these, because we need to generate INR32 crores of profit to just...

**Management:** Unfortunately, we don't give out any numbers or guidance on what kind of ROCE that we can expect.

**Gunit Singh:** No, what do you expect? I want a range I don't want an exact number. I just want to understand when you enter this...

**Management:** Unfortunately, we have not given out the range, so I'm not able to give you a range there. That's not as part of company policy. We don't give out any guidance on any numbers there, so that's why we would continue to maintain that.

**Gunit Singh:** Got it. And is it currently PAT negative or PAT positive? And in terms of say utilization of these assets of INR158 crores, is it so that utilization is low currently and as we scale up, the numbers would be better? Is that a fair understanding?

**Management:** So initially during the first leg of implementation, obviously the asset utilization is lower there, traditionally like any project there. However, that said, it does pick up over time there. But for us, it is not as if the asset is not generating revenue there. They are against contracted revenue, they have contracted revenue visibility against these assets. So we definitely have revenue generation against these assets currently.

**Gunit Singh:** Got it. I am sure there will be revenue generation but my question is coming from the fact that our EBITDA has gone up ...

**Moderator:** Sorry to interrupt, Mr. Gunit. May we request that you return to the question queue for any follow-up questions?

**Gunit Singh:** Yeah.

**Moderator:** The next question is from the line of Mohit Binge from Niveshay. Please go ahead.

**Mohit Binge:** Yeah, hi. I just wanted to ask that since most of the orders that you have been receiving are PSU and public BFSI organizations, what's the outlook on private banks, and is there any structural reason as to why you're not landing more logos there, or is it a matter of focus? And the other thing is there's a big private AI-based data center build-out for hyperscalers and co-lo players, right? So are we looking to participate in that wave as well, and if so, how would that go?

**Management:** Okay, so answering both the questions there. First and foremost, we also have private sector banks in our customer league.

**Mohit Binge:** Yeah.

**Management:** We have a lot of private sector banks who we are working with there. It's just about the order flow and the scale of the orders that we are probably getting there. There would be some which we may get some orders which are below the required threshold to report there. So that is how it is in terms of this.

But yes, definitely we have both private sector and public sector banks there. And in terms of the digital transformation initiatives there, public sector banks are actually leading the way there along with the private banks, so they are head-to-head along with them, doing the same level of implementations there.

On the second question, can you just repeat in more detail, please?

**Mohit Binge:** Yeah, so I'm talking about the big data center projects that are coming up, like say the ones that Reliance and Tata do, and there's like a lot more alongside those as well.

**Management:** Yeah. So see, we generally work with end customers in their entire data center and cloud journey because that's much more margin accretive there. While all these hyperscalers are setting up their own infra there, it usually... most of these have direct OEM engagements there, and the kind of margin profile that is available there is significantly lower there. However, that said, that is also on our radar there. So it's not that we are not working on that. We are working with some global large data center players in India with whom we are working there and working in that journey there. So yes, we are definitely looking at that segment.

**Mohit Binge:** I see. I see. Yeah, that answers my question. Thank you.

**Moderator:** Thank you. We take the last question from the line of Madhur Rathie from Counter Cyclical Investments. Please go ahead.

**Madhur Rathie:** Yes. Sir, thank you for the opportunity once again. So who would be our competitors on the listed space? Because, it seems that Rashi Peripherals has also acquired one company called VDA so are distributors also getting aggressive into these contracts because of the margin profile and the size, if you could help us understand on the competitive landscape?

**Management:** Yeah. So if you compare the listed players in our space there, one company which is Orient Technologies there, which is listed there, is in a similar space like us there. Rashi currently is not in a similar space there. However, the company that they have acquired, VDA, is in a similar space there. So yes, obviously the margin profile is what is probably looking at... they're looking at that and they're trying to get into that segment there.

- Madhur Rathi:** Got it. And sir is the competitive intensity for these new orders getting reduced because the component prices have increased and balance sheet of smaller players might not support such huge working capital intensity?
- Management:** Yeah, so honestly, yes, the order sizes have increased there. Plus, the league that we are able to... earlier our highest order was around INR350 crores. Now today we have a single largest order of INR750 crores. So obviously our qualification and the type of projects that we can successfully bid in has also... that trajectory has also changed. So we are able to participate in much larger projects there, and there the level of competition is completely different. We are competing with larger, much larger Tier-1 and global SIs there.
- Madhur Rathi:** Sir, so except for Orient Technologies, which other listed competitor is there? And sir, what is our market share with PSU banks and with private banks and overall?
- Management:** So honestly, there is no market share numbers published there. Orient, we understand that's listed there. There is Dev IT, I think, who's in a little similar space there. I don't think there are too many listed SI players there. We have the likes of Coforge who also does SI business, but they also have a global business there. So they're doing both the businesses there. Wipro is also doing, pursuing many facets of business there. So yeah, these are some of the players that are there.
- Madhur Rathi:** Sir, so what is the reason that we have such good share of business with PSUs, whereas for private banks, ultimately somebody must be providing them the services that we are providing PSU banks?
- Management:** So, like I mentioned earlier, we also have private banks with us. It's not that we don't have. Like I mentioned, the order... see, there is a certain order threshold where we need to declare. Now, if I get 10 orders which are below the declarable threshold, my overall size for Bank A, which is a private sector bank, may actually be higher than a public sector bank which I have disclosed, but which is a single order there. So the order mix, due to confidentiality, I would not like to reveal further on this, but yes, definitely we have a mix of both private sector and public sector banks.
- Moderator:** Thank you. We take that as the last question for today. I now hand the conference over to the management for closing comments.
- Management:** Thank you everybody for joining in. We look forward to your continued support, and we look forward to working to maintain the growth momentum that we have so far. Thank you everybody.
- Management:** Thank you everyone. Really appreciate your time. Thank you.
- Moderator:** On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.