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August 05, 2026

The National Stock Exchange of India Limited,
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E), Mumbai – 400051.

Symbol: REDINGTON

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

Scrip: 532805

Sir/Madam,

Sub: Q1 - FY 2026-27 - Earnings Conference Call Transcript

This is further to our letter dated July 27, 2026, intimating the details of earnings conference call on the unaudited financial results for the quarter ended June 30, 2026, held on July 30, 2026.

In this regard, we are enclosing herewith the transcript of the conference. The same is available on the Company's website at Q1FY27-Earnings-call-Transcript-Final.pdf

No unpublished price sensitive information was shared/discussed in the meeting/ call.

We request you to take this information on record.

Thanking you

For Redington Limited
VIJAYSHYAM ACHARYA KUNJIBETTU
Digitally signed by VIJAYSHYAM ACHARYA KUNJIBETTU
Date: 2026.08.05 15:37:06 +05'30'
K Vijayshyam Acharya
Company Secretary

Encl: a/a

"Redington Limited

Q1 FY27 Earnings Conference Call"

July 30, 2026

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 30, 2026, will prevail."

MANAGEMENT: **MR. V. S. HARIHARAN – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER– REDINGTON LIMITED**
MR. S.V. KRISHNAN – FINANCE DIRECTOR – REDINGTON LIMITED
MS. PALAK AGRAWAL – SENIOR GENERAL MANAGER, INVESTOR RELATIONS – REDINGTON LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Redington Limited Q1 FY '27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

I would now like to hand the conference over to Mr. V.S. Hariharan, Managing Director and Group Chief Executive Officer. Thank you, and over to you, sir.

V.S. Hariharan: Thank you. Good morning, everyone and thank you for joining us. Q1 FY '27 has been an exceptional quarter for Redington and a strong start to the new financial year, both from a revenue and a profitability perspective. Technology continues to accelerate dramatically. At the same time, geopolitical instability, regional conflict, supply chain shifts and economic uncertainty continues to create new pressures across markets. Our resilience, combined with disciplined execution was instrumental in a good set of results this quarter.

During the quarter, we recorded consolidated revenue of INR34,966 crores, reflecting a growth of 34% year-on-year. EBITDA stood at INR751 crores, a growth of 67% year-on-year, and PAT stood at INR486 crores, a growth of 77% year-on-year. The profit growth significantly outpaced the revenue growth, reflecting strong revenue momentum as well as significant operating leverage in the business.

Considering it is the first quarter, which normally happens to be a low seasonality quarter, combined with the West Asia crisis continuing to pose some business and supply chain challenges, the results really make us proud.

Excluding Arena, the revenue grew 41% year-on-year at INR33,794 crores and a profit of INR517 crores, the best ever. This quarter reinforces the continuing story of profitable growth across our business. It also reflects the strength of our diversified model, our ability to scale with discipline and continued progress on the strategic priorities we have been articulating over the last several quarters.

From a geography perspective, India business grew top line by 63% and PAT by 60% during the quarter, clearly the star geography for us. All the business units in India, Mobility, Endpoint Solutions, Technology Solutions, Software Solutions all fired with strong double-digit growth.

There was continued strong traction in the upcountry business, good amount of data center deals from neocloud operators. Professional services business grew triple digit in the quarter. Digital platform adoption also grew. We deepened our penetration in our very unique routes to market like direct-to-retail, regional large-format retail, even GTMs like quick commerce give us some scale.

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

Now moving on to quarterly performance by business units. The breadth of our business gives us resilience, relevance with vendors and partners in multiple engines for future growth. All the BUs this quarter contributed very well.

Starting with Mobility, it grew 21% year-on-year, contributing to 35% of the top line, driven by strong demand in the premium segment and continued strong execution in the direct retail segment in India during the quarter and entry into new geographies in the Middle East region aided this performance. The performance here could have been better if the product supply supported demand.

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

The Technology Solutions Group had a growth of 50%, contributing to 17% of the top line. All product categories, server, storage and networking fired well this quarter. There was a good chunk from large deals of nearly INR1,000 crores during the quarter, most of these being in India, in the data center category, with the visibility of strong deal pipeline for the rest of the year.

Now coming to Software Solutions Group, we maintained our momentum of growth. We grew by 52%, the highest across the business units, contributing to 17% of the top line. We continue to grow our partnerships with the Tier 1 OEMs and hyperscalers and many new brands as in getting access to the market for -- adding many new brands as well.

We are also making sure that we are adding existing brands in some of the geographies where we did not have these brands. We are increasing our solution intensity in the go-to-market, building joint business plans with key brands to drive wallet share.

Also this quarter, we saw a rollout of many new capabilities we've been talking about in our new -- in our platform CQ. We rolled out a Reonics capability, a proprietary subscription renewal automation platform, TrackMyCloud, a cloud usage and optimization tool integrated with CloudQuarks. We had also rolled out an AI exchange we have mentioned in the previous call, a marketplace for AI agent catalog for vertical and horizontal use case, which is beginning to generate revenues and momentum in the GTM.

We had conducted during the quarter an SSG Day, where we shared our Software Solutions Group strategy as well as the capabilities we are building. I'm also delighted to announce that Redington has earned the Microsoft's Frontier Partner designation, an honor reserved for a select group of partners globally. The recognition underscores our readiness for the AI era and our ability to help customers harness the power of AI through innovative solutions and services.

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

Moving on to operations. Our working capital discipline remains an important area of focus. Working capital days improved to 32 days in Q1 '27 from 37 in Q1 '26. ROCE was at 22%. Our opex control continues to be very good, slower than revenue growth, giving us significant operating leverage. Now coming to Arena. From a Q1 perspective, there was a loss of INR64 crores, Redington portion being INR31 crores. The continued losses are due to the lower revenue after exiting the mobility business in Arena and also the divestment of Paynet.

And there's also a gross margin compression in the existing IT business now. To bring in the operating leverage, we have to restructure the business, focusing on Turkey-specific growth levers in a dollar-denominated business. So there is work to do here to getting the Turkey business to the right direction.

To summarize, Q1 '27 has been a quarter of very strong growth with all businesses and most geographies firing, strong resilience, disciplined execution. We have started the year with a healthy momentum in revenue, EBITDA, and PAT while continuing to improve working capital efficiency and maintaining strong return ratios.

More importantly, the business continues to move in the direction we had envisioned, scaling our core, strengthening our value business, both SSG and TSG, investing in cloud, cybersecurity and AI, and building technology-enabled routes to market for the future.

We continue to remain entrenched in the top 10 tech distribution players globally, not being present in U.S., Europe, and China. Based on the information published by the Omdia Group, we continue to retain our strong number 1 position in India and Middle East, Africa region as well, in addition to being in the top 10.

What does this mean to us? This clearly provides us many advantages. We have -- we get a preferred partner status with large vendors, better economics through scale, access to best resellers and customers in the market, ability to shape ecosystems, attract new vendors, stronger credit and financing platform, platform expansion opportunities. It clearly provides a strategic relevance in the AI era.

As AI solutions become more complex, customers need orchestration across multiple categories and brands, and we are in a position to bring that. And we are working also on enhancing all the capabilities for us to be able to be relevant as an orchestrator. Finally, it is only appropriate that we take this opportunity to recognize our teams, the Redingtonians who continuously put their best foot forward to achieve good results quarter after quarter. I want to specifically recognize our people serving in sensitive and conflict-affected regions in different parts of the world. Their dedication, courage, and professionalism have ensured business continuity and strengthened our relationships under very challenging circumstances.

While we remain mindful of macroeconomic and market uncertainties, we remain confident about our evolving business mix and our ability to deliver sustainable long-term value. Technology adoption across continues to create meaningful opportunities for Redington. Thank you for your continued support. We look forward to your questions.

Moderator: we will now begin the question & Answer session. We have our first question from the line of Deepak from Unifi Capital.

Deepak: Congrats on a phenomenal quarter of execution. A couple of questions. The first one is, of course, the chip set pricing around the world has been a reality. To that extent, Hari, do you reckon there's been a lot of prebuying that the channel might have taken anticipating a price hike and price hike is actually a real phenomenon. So that's the first question. And if that's so, if you could quantify how much of our phenomenal performance in Q1 has actually been driven by prebuying?

And as a corollary, Hari, what is your sense of the channel sales in terms of how the inventory level gone up significantly? And is there any one particular hardware refresh cycle that is kind of driving this kind of momentum? So yes, 3 questions bundled into one. I'll come back for the later follow-up.

Moderator: Hello? Sir, are you there?

V.S. Hariharan: Yes.

Moderator: Are you there?

V.S. Hariharan: Can you hear us? Yes, yes, yes. Sorry, sorry, sorry. Thanks, Deepak, for the question. I'll – restart the answer. We were muted for a few seconds. So if I – were, to answer the question, I think largely, the phenomena is really focused on ESG, the Endpoint Solutions Group, because in the case of Software Solutions, this does not impact price increases. Mobility, where there is price increases, it's a velocity business.

So there is very little stocking and it just moves through the channel. Similar in Technology Solutions, you can see because a lot of the orders are back to back. So it is largely a phenomenon on stock and sell for the PC business in Endpoint Solutions Group.

Clearly, if you look at the numbers, the unit growth has been more or less flat, flat to a single-digit growth. The revenue is large, as you can see, as I shared, and that's driven by the average selling price. And clearly, there is a stocking of channels that is happening. Our Tier 2 is stocking up in view of the demand and also trying to make some money at the moment in terms of stocking up as the prices continue to go up.

And we are closely watching it. We believe there is about 2 to 3 months of inventory in the channel, and we're watching it closely so that we remain healthy at all times. But that is definitely a phenomenon on the ESG business alone on the stock and sell side.

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

Deepak: Okay. Sir, my follow-up to that, if there has been a good demand from the TSG side, if you can quantify, you said INR1,000 crores of large deals. So what's the outlook on the large deals, that is one? And the Mobile business seems to be growing at a very fast rate past the 2 quarters. So what is really leading to this? And this -- and you think this momentum, given your distribution efforts, seems to be a more consistent and an ongoing one for a few more quarters. So if you can share your view on the India business, especially the TSG and Mobile side?

V.S. Hariharan: So let me break up the -- let me start -- taking a little bit of deeper dive on the large deal. So the good news is there has been good momentum on the run rate small deal kind of business, but we've also had a good chunk of data center deals. I mentioned INR1,000 crores. About INR700-odd crores comes from the India side of the business and the data center part of the business. But the funnel actually on the data center side looks pretty, pretty good, even multiple -- many multiples of that INR1,000 crores for the next few quarters. So definitely, it looks very promising, the data center business and the backlog we have as well as the funnel we have. So that will continue.

And clearly, you can see with the disruption in the West Asia, there is a maxing out of data center capacity in Europe, with all of that and the tax holiday that Indian government has announced, there is a movement of a lot of customers wanting to host in India, and that's driving a lot of neocloud operators trying to set up and access that opportunity. So that you will see -- continue to see, and we will take our fair portion and our share of that business.

Now coming to mobility, it's a very interesting phenomenon that has happened over the last year. If you look at the last year's number on smartphones in India, there has been a 1% growth on overall smartphones, but the premium part has grown many multiples, 8x. And you can clearly see people who are playing in the premium phones, the premium phone category, the brands in the premium phone category, have gained share. So we have actually got advantage of that because 3 brands that we carry and distribute are all in the premium category.

Now having said that, the price increases are definitely having an impact and slowing down the demand and the consumer purchase. So we have to watch closely to continue to see because there are clearly people who are in the price-sensitive categories who are jumping up 1 or 2 categories to buying a premium phone.

And as the premium phone price increases and getting out of reach, will that demand continue or not? We'll see. We'll -- clearly, we can see one more quarter of that kind of demand continuing. But beyond this quarter, will that price changes, price hikes, will we get the same kind of demand? We don't know. So we'll have to watch and see.

Deepak: Sure. That's encouraging to hear, sir. Sir, I'll come -- go on to the Middle East side. So in UAE and Saudi, you had mentioned that the sales were flat this quarter, and we had started with a 20% drop. So I just wanted to understand the demand situation in these 2 countries currently. So how has July started?

And how is -- so what's the outlook on these 2 geographies? And with specific to the supply chain, given the closure of the Strait, are we able to get supplies with consistency? And also the freight related to the supplies, are we able to pass on the freight cost to our end customers as well?

V.S. Hariharan: Okay. Let me answer 2 out of the 3, and I will request Krishnan to answer the cost part of it. So I think we have largely been able to manage the supply chain. There is a delay. It is not -- so we'll have to plan better because we are getting the product in through both combination of air and sea. In sea, we are getting to ports which are not -- going to the Strait of Hormuz like Jabel Ali, for example. We are going through safer place like Fujairah and others.

So largely supply chain problem, getting product to the customers in UAE and in Saudi is happening. There may be a delay of 30 days, and we're just factoring that in into our overall equation. There is a cost increase clearly, both on freight and warehousing. I'll just -- I'll request Krishnan. Some of it we pass on to customers. Some of it we have to pick up, and there are specific cost increases which are captured in our opex this quarter.

Now in terms of demand, clearly, there is some softening of demand. There has been a minus 3% or 4% decline in the UAE business and a slightly larger decline in the Saudi business this quarter. And I said flat because it's close to 0, minus 3%, etcetera. And we have good demand on software solutions.

We are still getting some decent amount of pickup on technology solutions. Mobility, we were constrained by capacity. And we also got the price increase, that advantage. But if you look at government buying, if you look at corporate buying, the ones that started are continuing, but the new projects are being pushed out and postponed until things settle.

So clearly, we're seeing some softening, but not to the extent of what we thought, it could be a 20% decline. It's better than that. And -- but we are definitely seeing the softening in a few sectors. I hope that answer your question.

S.V. Krishnan: On the cost, like Hari answered, there have been certain one-off costs that had come in. We discussed in the last call, too. This is primarily in the transportation and insurance. Pre-war, almost about 85% of our purchases used to be through sea shipments, which all have got converted into air. So you can imagine the increase in price and also certain war-related insurance policies got withdrawn. So we had to take some additional policies. So a lot of increase in cost, about $3 million for the quarter. As Hari said, a good part of it, we could recover, but not all. And this is something that we need to be watchful.

Deepak: Understood. Sir, last question on your...

Moderator: Sorry to interrupt you, Deepak. Can I please request you to rejoin the queue? We have our next question from the line of Vinay Menon from Monarch Capital.

Vinay Menon: Congratulations on a great set of numbers. A couple of things from my end. We've seen Lenovo as a share go up in terms of total contribution. Any specific large deals we have tracked there? Or what could be the reason for that?

S.V. Krishnan: It is mainly because as a brand, they have done extremely well, and we have also done well in that brand. That's the reason.

Vinay Menon: Okay. Okay. And any other -- like in terms of calling out the number for large deals in Q1, it looks like we have closed a couple of large deals. Any update on that?

S.V. Krishnan: Okay. Hari had, I think, mentioned this for the previous question. While about INR1,000 crores is a large deal revenue for the same current quarter majorly from India, the backlog is far more. So that should get executed in the next few quarters.

Vinay Menon: Okay. And now since ASPs are at what the levels they are, how should we look at seasonality because Q1 is typically a weaker quarter and Q2 is a seasonally strong quarter. But I think now with higher ASPs, that trend might be a little different. So how should we look at the next few quarters going ahead, sir?

V.S. Hariharan: I wish I could answer that question. We also -- we were surprised that we pick up this quarter being a low seasonality quarter. But clearly, there are many factors in play. See, Q2, clearly, there is a festive season that will -- or it's more like Q3, combination of Q2 and Q3. So -- and there is -- see, normally, what happens is Q2 is a Mobility NPI that happens, which gives us a lot of pickup. And Q3 is the festive season, and Q4 is the end of the year.

But this shortage in supply, the data center deals that are happening, they're actually throwing a spin on all of these. We can see that Q2 definitely, we expect a good strong quarter. Q3, as we march to the festive season, there should be a good pickup, but post festive season, we don't know.

So we are playing this now a little bit of a quarter at a time and see the phenomenon because the price increase in PCs and smartphones will clearly, at some point, have a dampening effect on consumer buying and consumer demand. Maybe commercial buying may still continue because it's mandatory for people to refresh cycles, et cetera. So we are not able to exactly play it out. We have some guesses, but we can't strongly, with conviction, say this is what is going to happen for the rest of the year.

Vinay Menon: Okay. Okay. And the last thing, in MSG in the ROW part, Q2, are we expecting some recovery because Q2 is generally a strong quarter for MSG. So what are your thoughts on that?

V.S. Hariharan: Again, this depends very much on the NPI. We normally get a good NPI lift this quarter. But till we know that this NPI is confirmed and the product -- there is a lot of speculation on the range of SKUs and products that will be in the NPI. And so that will drive it. Clearly, the NPI happens this quarter and there is a good spread of SKUs, we will have a good bump up. But if it is only high-end SKUs, then the Middle East, Africa region will get a bump up, but India is typically -- they accept the low...

Vinay Menon: Yes, sir. Yes. Just one last thing on SSG, 53% kind of growth. Anything -- like what are the drivers there? And what kind of number can we look for, for full year?

V.S. Hariharan: So if you know the different parts of the SSG business. So cloud is continuing to do well and is our strongest growth driver, followed by software. So within software, we have infra software, we have verticals like Autodesk. And so that software part of the business also grew well. Security did well, but we expect a lot more. We want to gain share of the wallet there, and that's probably a little bit slower growth compared to the other 2. And services, as I mentioned earlier, did fantastically. Almost doubled our business this quarter on service -- professional services.

We continue to ramp that in many directions, both working with large companies like the BFSIs, like the data centers to be able to work on joint initiatives on professional services as well as creating product type services. So that part of the business is growing. So clearly, cloud, software, and services are the 3 areas that are really creating momentum for us in security we need to pick up.

S.V. Krishnan: On the cloud, obviously, this used to get reported, we have seen overall a 67% year-on-year growth, 55% in SISA and 80% in Rest of the World. So you can see a significant spike is happening in the segment.

Moderator: We have our next question from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: First of all, congratulations, I mean, excellent set of delivery and numbers. Sir, first question, our pain point, Arena, right? So despite almost completing out of this Lira-based business, we -- and I mean, the business also has halved, but the absolute losses there kind of still continues at this INR60 crores, INR70-odd crores. So one, what is -- I mean, despite the effort that we took over the last year, why are we still seeing this? What needs to be solved? What are the gaps there?

S.V. Krishnan: See, like Hari had mentioned, a lot of challenges still continue to block Arena performance. consciously, we dropped the revenue. Revenue has become almost half of what it used to be in the past. But the margins are also dropping. It is a very hypercompetitive environment in Turkey in this business now.

So whatever upside that we see in other place, nothing of that is visible, and we have been tracking even the competitors' number. So the gross margin is also, I mean, compressed. But at the same time, opex -- even though we don't increase the real opex, because of 35%, 40% inflation, there is an increase in opex that we see.

So it is actually multiple factors which is impacting them. We are trying to solve. But in our view, I think the current year, we might have this loss continuing. We will try to do our best, but there is still some challenge.

Pratik Kothari: So here the end goal or plan would be, what?

S.V. Krishnan: End goal is multiple factors. Hari had mentioned in his opening remarks, we are trying to see strategically what we should do. It requires a structural change, but options are limited. But at the same time, we also need to see how to revive the business. So both are happening in parallel. If the strategic choices happens, I think that would be our preferred choice.

V.S. Hariharan: Just to add, our original thesis was the Lira business was the most challenged part because of the Lira interest rates and the working capital needed to execute in that business. And we said exiting that will clean up our dollar business and focus on IT, which is actually the right direction.

But having said that, 2 things happened, if you see the market right now, the hardware business continues to get compressed, and it's a much smaller size than before. The Software Solutions business, the Cloud business in Turkey is larger than the Hardware business. That is one thing.

Second, so it's hypercompetitive, as Krishnan mentioned. Second, the compression of gross margin was unexpected, but it is also getting compressed. And so we'll have to do -- we have to approach it very differently strategically in terms of how do we restructure the business to get to profitability at these sizes. So that's the big question. We have a few ideas, and we are working through it, but not an easy problem to solve, and we will keep you updated as we progress.

S.V. Krishnan: From a debt perspective in Arena, what used to be $120 million, $130 million has now come down to $90 million, and that's because of the exits from the local business that we did. Given the interest cost, there is a sizable reduction. Interest, including factoring, what used to be INR69 crores last year Q1 is down to INR37 crores this year Q1. So these are some of the steps taken, but unfortunately, we are where we are.

Pratik Kothari: Fair enough. Sir, second, on working capital, I mean, positively surprised by the reduction there. I mean, this is despite MSG share coming down, the others growing. So I mean, large deals also being present this quarter. What is driving this drop in working capital?

S.V. Krishnan: Okay. There are multiple factors. So very clearly, as we had said, inventory days are going up across the board in the market, and that's true for us. Fortunately, we had some advantage in terms of the payable days and more particularly in Middle East because of our situation, we could get some additional credit from the vendor, which has helped us. So overall, I think we could manage it better. But during the quarter, there were some spikes, but I think broadly, it's very well within control vis-a-vis last Q1.

Pratik Kothari: Fair enough. And last, if we can break this India growth or overall growth down to volume versus price. And I think it's tough because segment-wise, but just broad sense, how much of this is price ASP-driven and how much of this would be volume?

V.S. Hariharan: If you really look at what has happened in SSG, TSG, and MSG, those are largely non-price driven. I mean, MSG, we would have got a little bit of bump up on the Android side because the prices increased, but Apple did not increase prices till the last quarter. So most of the bump up is price driven is only on the ESG side. And if I take stock and sell as 67 -- I don't know, about 2/3 of the business, we would have got about 2/3 of the Endpoint Solutions group because of the price bump up. Everything else is a natural demand phenomenon.

Moderator: We have our next question from the line of Samay Sabnis from Helios Capital.

Samay Sabnis: Congrats on a great set of numbers. Sir, my first question is when I see the list of your top 5 vendors, I see Samsung has made way for Microsoft. Could you share some color on this?

S.V. Krishnan: It's a very small change. Samsung used to be a close number 6 before. And there is -- I mean, Microsoft has grown faster than the Samsung for us. So hence, this shift, but it's not a significant shift.

V.S. Hariharan: Yes. But I just want to add some color as well. Clearly, the cloud business of Microsoft, it's doing well for us. And as the cloud business grows, you will -- and as we had mentioned in one of the earlier quarters during the earnings call, do we see -- we see now 3 software players, software brands in the top 10 for us, and that's clearly showing up the cloud growth, the software growth is enabling that to happen.

Samay Sabnis: Right. And just another -- the last thing on bookkeeping question. So basically, I see your finance costs has increased sequentially by sharp 74%, INR89 crores. So could you share some color on that? And how should we see the quarterly run rate going forward?

S.V. Krishnan: See, there is a significant increase in the revenue. And like I had mentioned, the inventory days also have gone up in the industry. That's why there is an increase in interest cost. Interest rate, there is a marginal increase, while it was coming down, officially, the respective central banks have not raised the rates. But in the market, interest rates are firming up. That also has resulted in higher interest cost compared to Q4. On a steady-state basis, you can take this as the quarterly numbers into the future.

Samay Sabnis: That was helpful. And just last, you got a tax refund of INR147 crores this quarter. So could you shed some color on that as well?

S.V. Krishnan: Can you repeat your question, please, not audible to me.

Samay Sabnis: You got a tax refund of INR147 crores this quarter. Can we get some color on that?

S.V. Krishnan: No, that relates to the past years. We had got -- see, some of this where demands that got raised, which we knew is contestable, we contested. We won the case, we got the money back. So I mean, we are quite keen -- I mean, clean on that, so not an issue.

Moderator: We have a next question from the line of Sahil Doshi from Thinqwise.

Sahil Doshi: Congratulations on a fantastic set of numbers. So just the first question was on the AR provisioning. We had seen some kind of an impact in Saudi in the last quarter. And even if I see versus the normal average, even for this quarter is slightly elevated. So could you just talk about A, the provisioning in the Middle East, Saudi as well? And what caused this? And how do you see the environment to be as of now?

S.V. Krishnan: In the current environment, Sahil, we want to be very cautious. And we would want to make sure if there are delays more than what we expect, we had to better provide for it. So these are more from that approach. Can there be collections out of this in future? Very good chance.

Sahil Doshi: Sure. Got it. And just in the annual report, you had highlighted in terms of the Android, there's a direct-to-retail strategy, which has helped us increase our revenue share from 1.3% to 10% over the last 5 years. Could you talk a little more on this? And is there an increase in the number of OEMs or the offerings or the product portfolio here?

V.S. Hariharan: Okay. We don't specifically talk about the brands, but I'll give a little bit more detail about this premium smartphone brand for which this was done. Their original go-to-market was through the typical LFRs and the online retail segments. But given their diverse portfolio, one of the areas we focused on about 4, 5 years back, and this was an India team-led approach, to create dedicated premium retail channels across the country.

And we work closely with this OEM to build now almost 6,000 outlets that are specifically selling their product. And this involves everything from supply chain automation, to getting these products, to in-store promoters, to area sales managers, to building a full go-to-market machine, getting EMIs, getting a whole lot of things together.

The strategy has worked very well because it's a very focused channel, selling this brand's products. And that has clearly got both revenue and margin momentum for the OEM and for us. And so it's a very good business that we put effort closely working with the brand. This is a kind of business where you create lots of value between us and the brand. And very proud of what the India team has done on this. And it's clearly given us a headway into something unique that we built.

Sahil Doshi: Sure. That really help. And just finally, a few bookkeeping questions. One, if you can call out what is the factoring number for this quarter? And second, if I see the other income has roughly become INR200-odd crores in FY '26. And there's not too much of details even the annual report provides on the components of this other income. So just to understand how much of it is recurring and what's really the larger portion, if you can just give us some sense of it? And how do we think about this?

S.V. Krishnan: Okay. On the factoring for the current quarter, it's about INR8 crores vis-a-vis in Q1 of last year, about INR31 crores. Other income, there are multiple components, but 2 key aspects will be interest that we collect from the channel partners for the delayed payment. Second, any excess money that we have, if we deposit, there is an interest that we get. So these are the 2 main aspects in the other income.

These are business related. Whatever is a float is what we use it for depositing. Otherwise, as you know, we have -- I mean, we have got net debt all the time. Is it consistent? It will be consistent. But of course, to the extent of actual excess balance that we carry, it could vary. But you will also see a corresponding impact on the interest cost. So ideally, some of this, you should net it off with the interest cost and then see. Third is specific to this quarter, as it was pointed out in the earlier question, some income tax refund that we got and there is a connected interest also had come in as part of other income.

Sahil Doshi: Sure, sir. That helps. And just finally, if I may, in the Middle East, is it correct that you called out there is a 20%, 25% decline in Q1? And incrementally, we should be close to flattish growth, meaning I just wanted some clarity on that.

V.S. Hariharan: No, no, no. So the 20%, 25% is what was estimated when we talked about the crisis. But overall, Middle East, Africa grew 15% this quarter. And that was -- Middle East, Africa includes 4 clusters, UAE, Saudi, the GCC levant region and Africa. The GCC levant region and Africa had strong double-digit growth. The UAE declined small, about 3%. And then Saudi declined small also single digit, 7%.

Moderator: We have our next question from the line of Hitaindra Pradhan from Maximal Capital.

Hitaindra Pradhan: So my first question is related to the TSG segment. So many of our global peers are calling out the supply chain constraints and the growth has been robust, but there might be some kind of moderation depending on how the situation evolves. So how are we positioned for our customers?

Because I think that in terms of the AI cycle that we are not a big part of that for our customers. So how do you think the growth can pan out for TSG? And especially like is the sales velocity or the margin that we are generating is value accretive in terms of the high working capital that is required in TSG segment? That's my first question.

V.S. Hariharan: Okay. I'll try and -- I'm not really sure where it's -- your question is headed. So if I look at AI, if you look at AI in a large way, from a hardware perspective, a lot of the growth has come from the AI GPUs that have been shipped. And clearly, everything is becoming GPU-centric in the world of technology solutions. To me, the numbers will continue to grow up. But on a smaller base of AI, the growth is high today, but all the server storage that is going forward will all be AI, firstly.

Secondly, the data center piece of the business, which is important, is going to be huge. And as we said, our backlog is already multiple X of what we have done this quarter. It's only going to get larger. So I don't see that tapering off at least for the next 4, 5, 6 quarters. On the PC side of the house, we actually see a lot more happening.

Today, the AI PC growth, we talked about commercial having a good penetration rate of 36%. With the announcement from NVIDIA on the RTX chip-based PCs towards the end of the year, early part of next year, we see much stronger AI PCs coming out. So that part of the business is going to take off.

The question still remains the entry-level PCs with the high-end PCs versus the AI PCs, which will grow and how it will grow, we'll have to watch and see. But I don't see an AI hardware business tapering off, at least in the next 4, 5, 6 quarters. I mean all parts of the portfolio, as they move into AI, there's just going to be more and more refresh cycles there. The shape of the PC market and the different mix of SKUs, entry level, mid-range, high end will change. And the shape of the server storage market between neocloud operators, the on-prem servers in-house might -- the mix might change. But clearly, we don't see a tapering off.

Hitaindra Pradhan: Understood sir. Yes, that's what I wanted to understand. The second question is on the SSG. We discussed about the servicing component and how that is going to be an incremental focus. So what is the share of the revenue which is coming from the servicing component in the SSG segment? And the new deal, if you can throw some color like with Microsoft, are we tying with them in order to roll out the new enterprise solutions? Or what can we expect from the new deal from MS?

V.S. Hariharan: No. So there is not a new deal with Microsoft. Basically, what we said was Microsoft is giving this frontier distribution -- frontier channel partner nomenclature for people who are organizing themselves and being at the forefront of executing AI-related moves. it does not mean that we are getting access to -- we have access to all of the Microsoft solutions today.

What we clearly see momentum is in the specific verticals because if you look at cloud, within cloud, we do sell AI solutions from all the hyperscalers. Within security, all the partnerships we have, they have their own AI solutions, we sell the AI solution.

There are dedicated AI solutions that we are bringing to the market, which are cross-category SSG. This is what we call as AI exchange. So we have productized all the AI agents that our ISVs are splitting out into a marketplace. We have over 250 agents on it, and we are finding a go-to-market for that. And then within the professional services organization, we do traditional stuff like migration, modernization, MSSP security solutions.

We are also doing agentic AI and other AI solutions. So the way I look at -- if I have to answer your question, we are selling solutions from vendors around their SaaS products and AI products, and we are selling horizontal AI agentic solutions. We're finding what are the right products to sell and what is the right go-to-market.

S.V. Krishnan: Yes. Hitaindra, SSG contributed 17% to our total revenue. Q1 of last year, it was 15%. And services in our overall revenue, it's about 2.5% for the quarter.

Moderator: We have our next question from the line of Priya Rohira from Emkay Global.

Priya Rohira: I was more relating to the ecosystem we have seen where there are supply-related challenges, and we have seen Apple increasing prices. Any conversations with other OEMs or the price increase? And how far do you see this given the supply chain conundrum, which has got broken?

V.S. Hariharan: I mean, pretty much -- to answer your question, pretty much most OEMs in the PC world have increased prices. And in the smartphone, Apple was the last and pretty much all the Android devices and Apple have increased prices. The server storage segment clearly has moved to GPU, that's also at a higher price. So I don't think there are any others left to increase prices. We just have to now see -- customers have to get the right productivity, right efficiency, right ROI in deploying these devices in the commercial segment.

And the consumer segment needs to absorb this shock and there will be some demand waning as we go along. Clearly, those will happen. I think we have dealt with most of the price increases, I believe. And that's a fair -- I don't think there are any specific conversations beyond this. We just have to really see the impact of the price increase and how the unit volume versus value plays out in the next few quarters and for us to adjust to that new reality.

Priya Rohira: Sure. So just a follow-on there. In this quarter, what would have been the effective price hike we would have experienced? And just to -- some direction because this could have been only half a quarter, right?

V.S. Hariharan: I don't know this quarter specifically, if you just take the last 2, 3 quarters, I think PC prices have increased anywhere between 25% to 50%. Some SKUs are 50%, some SKUs are less, but anywhere between 25% and 50%. That has definitely contributed to ASP increase and the value increase. And as I mentioned earlier in my starting note that our unit volume we saw in PCs is single-digit growth. And I think that is the phenomenon right now.

Priya Rohira: And Q3 onwards, we should start seeing stabilization, right? I mean, if -- I don't know, maybe Q4 onwards...

V.S. Hariharan: We don't know. But as of now, what we foresee is at least the prices will stabilize at these prices. But...

S.V. Krishnan: Priya, this component shortage is definitely a multi-quarter issue from what we understand. So this will not die down that fast.

Priya Rohira: No, I'm saying more from the point that in this year, full year, we would have the positive effect of price hikes, right?

S.V. Krishnan: Yes. In a way, yes.

V.S. Hariharan: Yes.

Priya Rohira: Because volumes will come with a lag, but nonetheless, the value price composition will play a higher weightage to revenue growth.

S.V. Krishnan: But it is also to do with how much increase in price the customers can absorb, right? So that's a big question mark. But I think we remain positive. Let's wait and see.

Moderator: We have our next question from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: Congratulations on a great quarter. Now you've called out a very strong growth in the cloud segment. Our understanding is the large public cloud deals, only about less than 10% globally goes through distributors like Redington. Is that true for India as well? And is there any reason why that might be different for India?

V.S. Hariharan: So let me make sure the definition of cloud is right here. So when we say cloud business, we are actually talking about reselling AWS, Microsoft, Google Cloud services. And clearly, we are not talking about hardware. We are talking about selling to mid-market and enterprises workloads into the cloud. And that's what was talked about.

There is the other part, which is the data center business, which is from neocloud operators, but also set up -- we set up for the same purpose. There, it's large deals where we're actually selling hardware and selling the ecosystem around it. If we sell a hardware, then we sell adjacent solutions and software and managed services, et cetera. Which one are you referring to when you ask this question?

Amit Khetan: So I'm talking about the -- basically the AWS, the first part you mentioned, right, the AWS, Azure services being sold to corporates. Is that -- does that go through distributors or for large enterprises, does that happen directly?

V.S. Hariharan: Both, combination of both. So they do both direct and go through distribution. So increasingly, distribution is being relied on because both for the mid-market and small enterprise, the hyperscalers find it very convenient because distributors like us, we just don't do just resell because we do a lot of value around it.

We do driving -- it has an aim to drive workloads to the cloud. We do migration, modernization, professional services. To do a combination of things, how to sell AI, how to sell platforms into the -- so increasing reliance on distribution, but they do direct as well, combination.

Amit Khetan: Got it. And is this portion higher in India where it goes through distribution versus what -- how it happened in the West?

V.S. Hariharan: You could say that. I think that's fair. If you look at U.S. versus -- in India, the mix of direct versus distribution, direct would be more in the U.S.

Amit Khetan: Got it. And that might be because we have more mid-market enterprises compared to, say, larger enterprises in the U.S?

V.S. Hariharan: That's absolutely right. Both, combination of that access, collections of money, value-added services, the expectation from customers, all of that is different as well in a place like India.

Amit Khetan: Got it. That's helpful. My second question is, we have a couple of platforms, the Redington Online and CloudQuarks. Some of our global peers also have built similar sort of platforms. When we compare our platforms with them, are there gaps that we need to close? And over the long term, how do you expect these to contribute in terms of costs or working capital? Are there -- are these expected to contribute to profitability? Or is this just the new reality where everyone needs to build these platforms?

V.S. Hariharan: Yes. So I'll dissect that question into 2 parts. So there are 2 digital platforms we have. We have one for cloud and software business. We call it the CloudQuarks. And then we have one for the hardware business. We call that the Digital Platform. So I'll take the first question. CloudQuarks, quite an important and a critical investment because, as you know, there is nonphysical, everything can be digitally transacted. So it is more and more important to have that as the right platform.

We are constantly evolving our platform. As I mentioned in one of the earnings call, I think last quarter or previous, really, our CloudQuarks 1.0 is now migrating to 2.0, where we have added the customer persona. We have added the vendor persona. We are also building hooks for a marketplace. There is analytics there. And you'll see it as a very, very key platform.

I talked about some of the enhancements we made this quarter on the renewal platform as well as the TrackMyCloud platform all built into it. So clearly, this is a very important platform for our partners to even work with the customers and to -- for them to access on this platform, not just cloud, but it will be Software-as-a-Service, AI agent service, many other services.

So we are building this out. We think we have something really good. And our vision is to be best-in-class in the next 1 to 2 years, and we're putting all our might and investment on this to be best-in-class. It's going to be a differentiator for us.

On the Digital Platform for hardware, it's a little bit of a different approach. we do transact in many ways with large partners for hardware in a combination of manual and automated fashion. The digital platform comes of use for long tail, smaller partners that cannot get access to a salesperson, so they use Digital Platform.

But it also gets -- becomes of use for large managed partners for them to be able to see what are they not selling that Redington offers, how can they get online best data from Redington on what they're selling, what is the outstanding, what are the rebates and margins? So the digital platform and hardware really becomes a better customer experience working with our partners, whereas in the software solutions, the CloudQuarks, is going to be the differentiator.

S.V. Krishnan: And Amit, in addition, the customers can log in on weekends, holidays, anytime, no problem. And their requirements will get addressed. From our end, while there are some upfront investment, adoption of Digital Platform more and more with the customers is going to help us to reduce the cost of servicing the customers.

Amit Khetan: Understood. But my question is, is this going to be differentiated versus what some of our global peers have? Or is this something that everyone needs to build and that sort of gets passed on to the customers or to the vendors?

V.S. Hariharan: We are building a differentiated platform, Amit. So we want this to be best-in-class, as I mentioned, in both cases. We are investing -- when we talk about investing in platforms and ecosystems, this is actually our significant number1 investment.

Moderator: We have our next question from the line of Aejas Lakhani from Unifi AMC.

Aejas Lakhani: Congratulations, management team, for really a stellar quarter of execution. I think the management team has remained steadfast across a difficult period and has been delivering. So credit to you and the entire team. Sir, I have just one question. Sir, Hari sir, you mentioned that the velocity of large ticket deals is likely to increase. And the stock and sell model that you earlier referred to was a bit of a help for us in this quarter. So given that our -- how should we effectively think about gross and EBITDA margins for the rest of the year? If you could give some color on that, it will be very helpful.

S.V. Krishnan: Aejas, we discussed this before. Right now, the quantum of large deal in the total scheme of things is marginal. So we don't separate it out. We talk overall. If it becomes in any period significant, we will call out and give you the numbers separately. Believe me, no way the large deal profitability can match our normal profitability. So it needs to get called out.

Overall, what you will see is the dilution in the margin percentage. That's why in the past, we had said very clearly, our single most objective in the large deal is no compromise on return on capital employed. Plus there are other factors, but those are secondary. So you will find return on capital employed is not compromised and the margin compromise will be there, most likely.

Moderator: We have a next question from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: I have a question related to the Software Solutions group. What I understand is that there is another way of selling, which is through the Microsoft marketplace. And I was told that there is a movement of some clients towards this Microsoft marketplace. So I just want to understand whether that is like a kind of a threat or is it something which is like it's on the fringes?

V.S. Hariharan: So one of the -- so to answer your question on marketplaces, yes, the key hyperscalers are creating their own marketplaces, and we are going to be participating in those marketplaces as well. So just like hardware world has evolved to be an omnichannel world, so there will be an omnichannel evolution in the Software Solutions group where there will be hyperscaler marketplaces, which will go direct to these -- some partners, and we will participate there, and we will create our own marketplaces. And we'll have to bring the best value-added services for us to win overall. So clearly, Redington is working on multiple ways to win in our own way in these marketplaces.

Lakshminarayanan: Is it like a threat? Or is it like a kind of an opportunity? I mean, I didn't quite...

Moderator: Sorry to interrupt you...

V.S. Hariharan: It is an opportunity. It's definitely an opportunity, more than a threat.

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

V.S. Hariharan: Thank you so much for all your questions, and thank you for all the feedback as well, and we look forward to having another good quarter in Q2, and we'll come back to you. Thank you.

S.V. Krishnan: Thank you.

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