



Telephone: +91 22 6661 7272 | Email: marketing.india@blackbox.com

BBOX/SD/SE/2022/95

August 25, 2022

Corporate Relationship Department Bombay Stock Exchange Limited P.J. Towers, Dalal Street, Fort, Mumbai 400001	Corporate Relationship Department National Stock Exchange Limited Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400051
---	---

Sub: Transcript of Earnings Call hosted on August 19, 2022 on Financial Results (Consolidated and Standalone) for the quarter ended June 30, 2022.

Ref.: Scrip code: BSE: 500463/NSE: BBOX

Dear Sir/Madam,

This is further to our letter dated August 18, 2022 with reference number BBOX/SD/SE/2022/91 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Earnings Call hosted on August 19, 2022, on Financial Results (Consolidated and Standalone) of the Company for the quarter ended June 30, 2022, is attached hereunder.

This is for your information, record and necessary dissemination to all the stakeholders.

For **Black Box Limited**
(Formerly Known as AGC Networks Limited)

Aditya Goswami
Company Secretary & Compliance Officer

BLACK BOX LIMITED (Formerly AGC Networks Limited)

Registered Office: 501, 5th Floor, Building No. 9, Airoli Knowledge Park, MIDC Industrial Area, Airoli, Navi Mumbai 400 708, India

BLACKBOX.COM | CIN: L32200MH1986PLC040652 | Tel: +91 22 6661 7272



Black Box Limited

Q1 FY23 Earnings Conference Call

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 19th August 2022 will prevail.

August 19, 2022



**MANAGEMENT: MR. SANJEEV VERMA – WHOLE-TIME DIRECTOR & PRESIDENT, BLACK BOX LIMITED.
MR. DEEPAK BANSAL – EXECUTIVE DIRECTOR & GLOBAL CFO, BLACK BOX LIMITED.**

Moderator: Ladies and gentleman, good day and welcome to the Black Box Limited Q1 FY23 Earnings Conference Call.

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

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjeev Verma – Whole-Time Director and President of Black Box Limited. Thank you and over to you, sir.

Sanjeev Verma: Hello, and good morning everyone. First and foremost, I hope you all are keeping safe and healthy. On the call, I am joined by Deepak Bansal – Executive Director and our Global CFO, and SGA our Investor Relation Advisors. We have uploaded our result presentation in the exchanges and I hope everybody had had an opportunity to go through the same.

Since this is our maiden earnings call, we would like to say some brief information about our company, an overview of our business performance followed by enhancing performance for Q1 Fiscal '23.

Black Box is a leading global digital ICT Solution Provider, having expertise in consulting, designing, deploying, managing and securing customer IT and communication infrastructure. Business Today, we had relevant technology solutions, to drive their business imperatives. This is where Black Box helps to design and deliver relevant technology solutions and services to accelerate our customers business.

Initially we have dominance in India in the Enterprise Communications space. Black Box today is a strong global player with major presence in North America, Europe, Middle East, and APAC market, and has a strong team of 3900 plus highly skilled resources, serving clients with expanded offerings and geographical reach across 35 countries.

Key Business Segments

Global Solution Integration business where we consult, design, deploy, manage and secure digital technology infrastructure for our global customers to help transform and accelerate their business by partnering best-of-breed technology manufacturers. Our growth strategy is focused around providing solutions in areas of connected and smart campuses, including IoT, digital workplace, customer experience, data center and ad network, wireless and mobility, including 5G and LTE, and Cybersecurity.

The Technology Product Solutions business is where we sell our Black Box's own IT products and Black Box branded white-label digital technology infrastructure products. We also provide warranty and tech support for these products to enhance customer experience. Our go-to market for our Technology Products Solutions business is through integration partners and value-added resellers.

Our product portfolio in the TPS includes signal switching, KVM, visualization, IoT, networking, infrastructure and connectivity.

The TPS business contributes to 20% of our business, our GSI business contributes 80% of our overall business.

As you are aware that we acquired Black Box in the U.S. in 2019. The acquisition of Black Box has helped us to serve better our global customer base, expand our capabilities, enhance our solutions portfolio and extend our presence globally to 35 countries across six continents. Today we are bigger and better with a combined workforce of over 3,900 highly trained and talented individuals worldwide and growing client portfolio that we are certainly proud to serve.

Our marquee customer base stands across industry verticals primarily in financial services, healthcare, technology, retail, travel and hospitality, consumer goods and broadcasting.

We have developed a stable and long tenure relationship with our customers. Our Top 10 customers approximately contribute 40% of our revenues, geographically North America contributes 74%, Europe 10%, India 7%, APAC 5% and the balance 4% in other markets we operate. Our strategy revolves around being global, "Think global, and act local" when it comes to business. We believe in keeping our relationships local where it belongs and at the same time, be relevant providing flexibility to our customers, to cost effective deliver in 35 countries including from our Centre of Excellence in India. Our global strategy is in line with delivering better results and accelerating our customer business.

Today, for the Financial Year '21/'22, we are a Rs. 5,370 crores revenue business, serving 250 of the Fortune 500 companies and 8,000 global customers, 5,000 active client locations, service on-site, 30 odd Global Technology Partnerships, and as I said 3,900 global team members.

The Company is driving two-pronged strategy for growth, organic and inorganic. The Company continues to make investments in high growth areas of the data centers, Cloud offerings and cybersecurity with increased focus on cross-selling opportunities, global deployment opportunities and significant investments in high quality talent. And the back of these investments, we expect increased business from existing clients and add new logos.

Inorganic the Company continues to look at the opportunities on a regular basis in line with our acquisition strategy. On the medium term basis, the Company aims to increase market penetration in the existing geographies and add new clients. By 2024, the Company expects revenue to cross Rs. 7,000 crores, and achieve an EBITDA margin in the range of 9% to 10%. I

endeavor to be a leading ICT solution integrator and advanced towards most integrated value-added IT services, which will help in margin expansions.

That's from my side. I know handover the call to Deepak, to run through the financial highlights during the quarter, Deepak.

Deepak Bansal:

Good morning, everybody. I will now run you through our financial performance for Quarter 1 FY'23.

So, first I will discuss revenues. So, we achieved revenues of Rs. 1,372 crores in Q1 of FY'23 versus Rs. 1,195 crores in Q1 FY'22, an increase of 15% on YoY basis. But there is a decline by 5% on QoQ basis, because in Q4 we achieved Rs. 1,442 crores. The sequential drop in revenues is because of few projects delayed largely at the back of supply chain constraints, and delivery of them is deferred to subsequent quarters. We continue to see momentum in our order book and robust project backlog.

We achieved gross profit margin of 27.7% in Q1 of FY'23. The compression in gross profit margin is caused by inflationary pressures on overall cost, primarily on account of manpower and supply chain.

EBITDA of Rs. 54 crores in Q1 of FY'23 versus Rs. 57 crores in Q1 of FY'22 versus Rs. 80 crores in Q4 of FY'22. Our EBITDA margin stood at 3.9% in Q1 of FY'23, as compared to 4.8% in Q1 of FY'22, which was 5.5% in Q4 of FY'22. EBITDA was primarily impacted due to compression in gross margin.

We achieved PAT, Profit After Tax of Rs. 15 crores in Q1 of FY'23 versus Rs. 31 crores in Q1 of FY'22 versus Rs. 16 crores in Q4 of FY'22. Profit After Tax was impacted due to lower EBITDA, and higher finance costs caused by additional debt drawn to fulfill working capital requirements, to augment growth.

Earnings per share, we reported an EPS of Rs. 0.93 per share in Q1 FY'23 versus Rs. 1.91 per share in Q1 of FY'22 versus Rs. 0.96 per share in Q4 of FY'22.

Over the years, Black Box has built a solid foundation of excellent customer connections. We will continue to strengthen these relationships and build strong partnerships. We remain optimistic to drive profitable future growth.

That's all from my side. I now leave the floor open for Q&A.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question comes from the line of Raj Joshi from Ace Securities. Please go ahead.

Raj Joshi:

Can you explain in detail about the acquisition of formerly Nasdaq listed Black Box Corporation? And how have we turned around that business which was 3-4x size of your Company? Also please share some color on the debt funding for this acquisition?

Sanjeev Verma: We acquired Black Box in early 2019. I think the company was not doing well, I think there were a lots of cost, a lot of systems within ERP systems, a lot of debt on the books. So, I think regarding the Company, the fundamental thing that we did, is to define the ratio with the Company. To that extent, everything that we work on is based on ratios, based on our gross margin, which is decent, this is about what should be the SG&A metrics, what should be our working capital metrics **(Inaudible) 12:40**, we aligned all that. We took an approach of downsizing the overlay costs close to \$10 million to \$15 million. We have focused on procurement to ensure that we centralize the large part of the procurement to get efficiencies. We have also negated our subcontracting costs to see the variable to get a leverage.

So, I think we used a multi-pronged strategy and looking at ratios, people costs, for improving our gross margins, looking at procurement efficiencies, and of course, rebalancing the balance sheet to get our cost of money and cost of financing down. Last but not the least, we started operating Center of Excellence in India, which did not exist, which has allowed us to move some of our backend processes, although we got hit by COVID as we started to get into the process, the journey of improving efficiencies and all we expect that as we move forward, we should be able to gain from restructuring benefits that we have done over a period of time.

Raj Joshi: And also Sir, can you please share some color on Debt funding for this acquisition?

Sanjeev Verma: I didn't get your question. Your voice is not clear

Raj Joshi: This is regarding the same only. can you please share some color on Debt funding for this acquisition?

Deepak Bansal: Sorry we are not able to hear the question.

Raj Joshi: I will join back the queue

Moderator: Thank you. The next question comes from the line of Aditi Sawant from ADM Advisors. Please go ahead.

Aditi Sawant: I have a couple of questions, first is, from what I understand from your presentation, North America contributes 74% of the revenue and an employee base of 2100 plus. So, do you intend to shift few of the employee base to the low-cost countries like India? And what would be the quantum of benefit?

Sanjeev Verma: So, I think that our substantive businesses as you rightly said, it comes from North America, it is 74%, and we are larger pie this year. So, I think I told earlier, so we have opened up the Centre of Excellence, in the last 12 months and we are ramping that up. Also some of our backend processes, specially shared services in Finance, the Support Center for our North operations and other shared services have been gradually being moved to low cost geographies like Bangalore and Mumbai. So, we will continue to focus on that.

As I said in my presentation that we are a global company, we think globally and act locally. So, we are constantly looking at efficiencies of moving, creating a hybrid work environment, both local and global. And we expect to ramp that up over the course of the next 12 months' time, adding at least 300 odd personnel in our people portfolio in low-cost geographies like India. And we expect that it will be margin accretive between 100 and 200 basis points as far as creating efficiencies of people working out of India or any other low-cost geographies is concerned.

Aditi Sawant:

And on the TPS business, like Technology Product Solution business, you mentioned that you are a market leader in few of the product category. So, can you explain what is the driving force which has helped us to maintain the leadership position, like I am trying to understand is it to do with the R&D or marketing or technical support which we offer?

Sanjeev Verma:

So, I think our Technology Products Solutions is 20% of our business. And we are seeing growth there as well. We are focused on specific areas of technology products, specifically around KVM, and audio-video products, which we expect to rapidly grow, the expectation in the control command center and video processing is expected to grow rapidly over the next few years. And therefore, we are investing in that. We have two R&D centers in Ireland and in Bangalore. Our products are market leader in space. We have strong investment in R&D and we expect that investment in R&D will continue to grow. We are adding future living portfolios in our team and our technology product space, including building Cloud platform sort of products with as well.

So, I think our growth levers and our market standing is based on a combination of go-to market, through our partners and distribution, to focus in R&D, expanding in R&D, both in our higher end operations in Bangalore, and bringing state-of-the-art products ahead of time. The combination of that is expected to improve our growth rate and also our margin in the product business.

Aditi Sawant:

Just one last question. On your presentation in Slide #40, you have mentioned that we have the relationships with global distributors like Ingram, TD Synnex, etc. So, wanted to understand what is their role versus our role in the IT supply chain?

Sanjeev Verma:

I think our product business it's sold through two tier distribution like any IP-based product manufacturers, so we do partner with large distribution companies like ScanSource, or TD Synnex or Ingram in the U.S. and elsewhere. And the go-to-market is through integration partners. And from a Black Box perspective, we provide hi-tech engagement for customers to evangelize their product and provide technical and quality support to our partners, both integration partners, and distribution partners.

Moderator:

Thank you. Next question comes from the line of Anjana Shah from Shah Investments. Please go ahead.

- Anjana Shah:** A couple of questions from my end. If you could just tell me so you mentioned in your opening remarks about inorganic strategy, what is your filtration criteria before making an acquisition? I am just trying to understand are you planning to acquire a business vertical as well?
- Sanjeev Verma:** Our inorganic strategy is based on propelling either expansion geography or allowing us to add up solutions portfolio or add up customer or a talent base. So, we take a mixture of these three pillars to decide whether it makes sense for us. Clearly, we want the acquisition to be accretive. We are not emotional about economics, acquisition is an economic aspect. So, we look at whether it will allow us for growth in a certain market, allow us a portfolio of solutions or products that will allow us to cross-sell within our ecosystem of customers. So, we take a metrics approach, make sure that we are able to bring in value from the Company and focus on the economics of acquisition. And we will continue to look at acquisitions that we believe will make sense for us. We are a value buyer so therefore we see that we can gain from that acquisition either on product or a solution or a market, we definitely look at that.
- Moderator:** Darshan Mehta. Go ahead with the question.
- Darshan Mehta:** Just wanted your guidance on revenue growth for this year? And what would be our margins for the year as a whole? What are we projecting for this year?
- Sanjeev Verma:** We are looking at growing our revenues between 15% and 20%. And from a margin perspective, I think we are looking at gross margin in the region of 27% to 28%. And we expect our operating margin in the range of 5% to 6%.
- Darshan Mehta:** I think in this kind of business we have previously guided that we can achieve margin of, I am talking about operating margin of around 8% to 10%. So, do you see the same to be achievable in next two to three years?
- Sanjeev Verma:** Yes, I addressed that sometime back in my opening comments. We expect the revenue growth to continue at the same momentum over the next couple of years' time. And with initiatives that we are taking, with margin improvement, globalizing, utilizing our hybrid delivery model from India, we expect the margin to move to the region of 9% to 10%.
- Moderator:** Thank you. Next question comes from the line of Anuj Shah from Shrinath Securities. Please go ahead.
- Anuj Shah:** I understand Facebook is one of our largest clients, on the data center infrastructure side. Can you elaborate what exactly is our scope of offering on this side of business?
- Sanjeev Verma:** Yes, so Facebook as it is now called Meta is one of our largest customers and growing in the real infrastructure kind of building space. For specific part of the data center, we are responsible for providing network infrastructure, both passive and active, starting from the fiber when the telecom operators leaves the fiber, up to the rack, which is the digital infrastructure, the wireless infrastructure inside the data center and that Dash infrastructure that allows for your mobility

communication inside a very large infrastructure. Meta has a very large infrastructure, the data centers (Inaudible) 24:49. So, we need to figure out the mechanics to communicate.

So, we are a network provider, which is the backbone or the highway on which the applications run. In doing that we provide the fiber communication infrastructure, the passive infrastructure, the cabling infrastructure, the connective infrastructure of the active network, the wireless network inside the data centers, going up to the racks. So, that's what we do currently. We are slowly and steadily progressing up the value chain within the client, it's one of our largest clients. It's been a five year relationship now. And we are growing. And we expect to do more share of wallet within Meta as we move forward.

Anuj Shah: Can you help me understand, what are the measures that we are taking to navigate on the supply side challenges and labor shortages?

Sanjeev Verma: So, I think the supply side challenges with the chip shortage and stuff continues to be an issue, and I think Deepak alluded earlier on in his financial comments. So, we are looking at aggregating or ordering in advance or projecting what we need, so that we are able to time ourselves with respect to supply chain, or wherever we need our products, our technology partners, to be able to mitigate that delivery risk. We expect that to continue for a while, but we are taking all measures. It has affected a little bit of our working capital, because we had to provide for, plan for inventory and other things in advance to be able to do the project. We are also aggregating with some of our supply chain vendors and partners, to be able to get priority in able to source it in time to complete project for our large customers.

On the labor side, of course, again, we are looking at innovative methods apart from sourcing, or deploying some of our skill sets that can be done remotely out of India, which wasn't the case two years back, that's helpful for us. We have started our graduate trainee hiring programs and training. We are also within the U.S. we have localized workforce in the markets, we are looking at internship programs to be able to rebalance our cost, investing in training so that we are able to get in much entry level people, train them faster, so that our lateral hiring, are reduced.

Last but not least, of course, the cost of labor, we are repricing ourselves to go to our customers, and all new contracts we are taking into account the inflationary cost, and the labor cost increases, that we are able to price it back to our customers.

Moderator: Thank you. Next question comes from the line of Akshay Jain from Jain Capital. Please go ahead.

Akshay Jain: Firstly, as you mentioned in the opening remarks, the idea behind 'think global, and act local'. So, can you elaborate more that how the strategy will work while delivering solutions to the client?

Sanjeev Verma: I think our business is largely big infrastructure business, it is a real-time business to build out the data center infrastructure, communication infrastructure for our customers. So, therefore, our

business model is more localized than other IT services companies, to that extent. Now, having said that, there is a reasonable element of work that now can be done from any part of the world, in a connected environment, we are all IT connected throughout the world. So, I think that's the mantra of seeing how can we now remain global and local both.

We also are following those customers, specifically who are footprint in more than one market, most of the marquee customers have. And I think change of context to those customers are that we are able to give them a unified, seamless service across their operations. We have very many companies that we are serving is 10, 15, 20 markets, supporting their technology infrastructure, the digital highway on which we our applications run. So, therefore, I am also serving them locally where required, in campus inside in country and/or as and when possible, using our remote workforce, in Philippines, in India, or other places like that.

So, that's the mantra of what I call 'Think globally, act locally' because we are able to build the relationship locally and that of course use the best-in-class processes to serve globally from wherever we can know in a hybrid model to be cost effective, and margin accretive both from our perspective and allow the customers to accelerate the business.

Akshay Jain: Secondly, can you name a few of your marquee clients and the partnerships?

Sanjeev Verma: Yes so I think we serve few of the marquee clients, in the technology Cloud space, we work with customers like Facebook, Amazon, and Google. From a technology, customer standpoint, these are sort of the Top 5 technology companies including Intel, and others. From banking perspective, we serve some of the largest banks in the U.S. like Bank of America, so these are some of our marquee clients.

Akshay Jain: Lastly, to circle back to opening remarks, I believe you mentioned a target revenue of around Rs. 7,000 crores by FY'24 and operating margin of 9% to 10%. So, can you just give more color how you intend to achieve this growth?

Sanjeev Verma: Yes, I answered this previously we are looking at about 15% to 20% organic growth in the business. And that is coming at the back of hyper growth and some specific segments of our business, specifically, data center, networking and cybersecurity. Our pipeline has been very strong. Of course, we are seeing a little bit of a project delay, but we do not expect that to last for the next two years. Of course, it might last for the next couple of quarters.

So, we are seeing robust pipeline, with our customers across segments, but more specifically in the network infrastructure, which you must be seeing, the 5G, LTE coming in, the Cloud Data Centers, even in India, you see the number of investments in billions of dollars coming in. We are very strong player. So, we expect our order books to swell significantly and revive and propel at least 15% to 20% growth. So, that's on one side.

The growth we expect our gross margins to expand, our workforce that we have now, expanding out of managing remotely out of India will be a credit to us, allow us to expand our gross margin

by 100 equivalent basis points. So, that we'll be accretive to us go towards our goal of 9% to 10%.

Thirdly, we are expecting to be able to become more efficient with the scale, with the shrinkage as a percentage of SG&A, we can expect SG&A to grow in a linear fashion that allows for a margin expansion of 100 basis points or so. And then, of course, last but not the least we will be bringing some procurement efficiencies, and some operating efficiencies. So, we are looking forward to gradually move from 6%, 7%, 8%, 9% to 10% over the course of the next two to three years time. And the goal is to reach a Rs. 7,000 crores for Fiscal '24, hitting a 9% to 10% operating margin.

Moderator: Thank you. Next question comes from the line of Karthi Keyan from Suyash Advisors. Please go ahead.

Karthi Keyan: Can I request you to share a perspective on how does your business get affected by the migration to Cloud in general, does that shrink your network opportunities or expand it? And how should one visualize your business say three, five years out, because near term order book will take care of requirements. But how does one visualize the world say three to five years out? And what kind of business model you need to adopt in this environment?

Sanjeev Verma: So, if I understood, you are basically asking how will the embracing of Cloud and expansion of Cloud affect our business positively or negatively ?

Karthi Keyan: Yes.

Sanjeev Verma: So, I think we expect the adoption of Cloud or the expansion of Cloud as a credit to our business, well of course we are Cloud builders for some of the largest Cloud providers, I told earlier we partner with Google, with Meta, with Amazon to build their Cloud infrastructure, on one side of that our data center infrastructure. So, basically, I think we expect the digital highway which the Cloud will run to dramatically expand over the next 4, 5, 6, 7 years then the Black Box is very well poised in creating that digital infrastructure on which people will consume Cloud, so that's on one side.

On the other side with some of our businesses like our Contact Center, our Digital Workplace, we are providing Cloud services, we are taking up business that was on-prem to Cloud and providing wraparound managed services. So, again, taking some of our on-prem businesses or providing telephonic solutions, collaboration solutions, our contact center solution that we are very strong. We are well poised to provide them, providing Cloud-based services, subscription services, turning our one-time CAPEX stream into subscriptions annuity model, so both sides of the aisle as partnering with Cloud infrastructure providers, the Big Fives, we are partnered with them to build out the infrastructure.

On the other side with our technology partnership, with very many companies in the digital workplace, or the networking workspace, we are expecting to leverage our global presence to provide Cloud based services, subscription services, annuity services.

So, we expect the advent of Cloud, the adoption of Cloud, the expansion of Cloud to be highly accretive, to overall Black Box go-to-market and business plans going forward and drive our growth to 15% to 20% organically, allowing us to expand our margins and achieve our goal for operating margin over the next couple of years.

Karthi Keyan: Just to understand this better, have you seen increase in the size of projects, reflecting the centralization of servers, if I may say so versus earlier? How do you see that happening?

Sanjeev Verma: So, I think I touched on this earlier, so we are seeing a very large expansion of order book within the Data Center Cloud infrastructure space and the order books are very large. The project size we used to have few projects over \$10 million couple years back, there have been projects over \$20 billion, \$30 billion now, project sizes are larger. So, yes, to answer your question we are seeing our projects size swell multifold from where we were two, three years back. And that's what we see in certain growth areas and we will continue to serve those areas and invest in those areas.

Karthi Keyan: And does that change the economics of the business, because you are dealing with larger customers? Or does it worsen or improve, give some perspective again on that?

Sanjeev Verma: No, so I think it will bring in efficiencies of scale. It will allow us to focus in terms of share of wallet with this large capital expenditure, companies that we partner with, it will be accretive to our growth, both in terms of revenue and margins.

Karthi Keyan: And how does it impact your product business, would you able to influence your customer behavior on that side or would they give you specifications and therefore, how to think about your product business evolving as a part of your say FY'24 revenue mix? What percentage should one look at coming from products?

Sanjeev Verma: So, we expect our product business to grow at the same pace of 15% to 20%. But overall revenue mix between products and services business will still 80:20. Our product business is focused on certain specific areas of growth, more specifically on control and command centers. If you look at the massive expansion of airports and stuff like that worldwide, they all require very specific kind of command centers. We are focused on collaboration, audio-video, which we all know is expanding and exploding, we all today speak more on video processing any time than anything else.

And then of course, we are focused on some of the IoT products and every other aspects of IoT, be it cameras or otherwise, will become a norm going forward. And we have solutions and products from that space as well. So, although it's a smaller part of our business, but we expect that to grow at a similar pace, the ratio will remain kind of consistent at 80:20, and it's a specific

focus area that we have, which allows us for better margins, focus on IT for the R&D, and focus on our go-to market. So, in summary, the ratios will change it will grow at a similar pace on the product side of the business as well.

Karthi Keyan: Revenue comes from your project business as in how much are you able to cross sell to your project customers or is there no overlap?

Sanjeev Verma: So, there might be a minor overlap but I think as I said, the go-to market for a product business is different, for different partners and distribution. So, there is no direct overlap with respect to our go-to-market for our solutions business that is largely a direct to customer, Fortune 500 customers business.

Moderator: Thank you. Next question comes from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: In Q3, you had guided, it's there in your presentation as well, that you would achieve revenue and normalized EBITDA margin by FY'23 of around Rs. 7,000 crores to Rs. 7,500 crores and 9% to 10%. Now, in the current presentation, I am seeing that the same has been shifted by one year to FY'24. So, I am just asking you what has changed.

Sanjeev Verma: Yes, so you are talking about Q3 of last year, correct.

Akshay Kothari: Q3, December 2022.

Sanjeev Verma: Yes, so I think the two aspects to it, one of course our overall, change in the supply chain dynamics, which was unwarranted which we expected that to correct, much quickly, which it has not. We have a dependency on our projects for supply chain with very large amount of products, both and also the product side with complete dry up of semiconductors did affect us. It gave us a six to nine month kind of a challenge for us to correct, therefore it required for us to reassess our business, which is still not completely in line. But I think we are much better off than where we were in Q3 of last year, this is yet to be assessed as to what our growth would be, and how we would take it forward and therefore the change.

Akshay Kothari: Okay, so mainly supply chain issues.

Sanjeev Verma: Mainly for from a project perspective, because I think if you look at what, when you had the COVID issues, the expectation of opening up for a project wasn't that soon as nobody understood that will be locked down for nearly two years' time, we were expecting it to open up. We do a lot of projects for our customers on site as well. So, the return to workplace also affected, some uncertainties in supply chain that lingered. We still have some of the manufactures with lead time to supply six to nine months' time, so we have to rebalance and recorrect certain aspects of our project delivery. Although we had, our order book continued to swell, we started to see delay in execution in some of those and therefore rebalance our projections going forward.

Moderator: Thank you. Next question comes from the line of Amit Shah from PC Capital. Please go ahead.

Amit Shah: Recently, the company has won a \$500+ million plus contract from a leading American multinational bank. Can you please throw some color on this deal?

Sanjeev Verma: Yes, so this is an end-to-end support for their IT infrastructure, from one of the top banks in the U.S. it has been a long standing client for us. And so this was a renewal of our contract for a renewed period of five plus one plus one. This gives us confidence in our partnership. And that's what is the \$500 plus million customer that we have.

Amit Shah: Lastly, you mentioned in your opening remarks about inorganic strategy. So, what is your filtration criteria before making an acquisition, because I am trying to understand are you planning to acquire a new business vertical or geographies?

Sanjeev Verma: So, I think it's a three-pronged approach. First and foremost, of course, we need to see that it is economically accretive to us and our shareholders, that's one. The second one and the thesis plays that we are able to either gain a geographical presence that we are missing. And we see growth in that geographical business, either new growth or from existing customers. Adding a product or a solutions portfolio that we find is complementary to our current business, related to kind of extract better margin, better economic returns.

So, I think a mixture of that, it's an art and science both, as I said we are not emotional about economics. So, I think it should make economic sense for ourselves and our shareholders. And therefore, we have a few different criteria that makes sense. We don't want to leverage ourselves too much, so we are probably in that as well. So, combination of all that as a filter that goes through our corporate development process and understanding how it makes sense, and then we will make the move. We are open to inorganic expenses, but as I said, we are not just jumping into something just because we want to add some revenues.

Moderator: Thank you. Next question comes from the line of Esha Savla from Arya Securities. Please go ahead.

Esha Savla: My question is a follow up on a question that a previous participant was asking. So, on the Black Box corporation acquisition that you have done, is there any leverage? Could you let us know the leverage level for that acquisition?

Deepak Bansal: So, Esha, when we acquired Black Box, whatever leverage we took at that time, that was all repaid within one year of the acquisition. And currently we don't have the leverage which we have taken at that time. Currently, we have close to around Rs. 360 crores in our books, which is primarily on the working capital side of it, where we are funding over working capital. But otherwise, there is no acquisition debt sitting on the books, which was taken at the time of acquisition.

Esha Savla: Secondly, I also wanted to understand that there was some warrants that you had issued, the promoters have recently infused capital in the Company, by the way of warrants. So, can you talk a little bit more about these warrants, please?

- Deepak Bansal:** So, we have, promoters have subscribed Rs. 225 crores of warrants in the Company. So, that money has fully come in within last 12 months timeframe to us. So, with those warrants, now the promoter equity in the Company stands to around 71.2%. And this was fully subscribed by end of June 2022. The money is primarily used for reduction in the liabilities and the general corporation purposes. That's what the money is used. So, we have infused the money to pay off some of the debt and all those things in the business.
- Moderator:** Thank you. Next question comes from the line of Parth Goswami from KK Advisors. Please go ahead.
- Parth Goswami:** I have couple of questions. So, first one is regarding the acquisition which you have made in the cybersecurity space. So, can you elaborate on this acquisition? And what is the typical margin profile in this business?
- Sanjeev Verma:** So, this is about Dragonfly, you want to know about, yes, so we have made a acquisition for assets, Dragonfly. Yes so the margin profile of the business is close to 40%. And I think it is as per our expectation for uptime security, we are bullish about cybersecurity, because that is something that we do in our five other business clients we have connected buildings, data centers, networking needs to be secured. So, we are looking at becoming a significant player in the cybersecurity space, and that is why we have made that acquisition and I really think it is an accretive acquisition, the average gross margin expectation from the business is close to 40%.
- Parth Goswami:** Secondly, in terms of geographical expansion. So, which market you intend to expand and what are the scope of expansion over there?
- Sanjeev Verma:** Yes, I think we have been looking at expanding just geographically in the last 12 months time or maybe 18 months time, we have made sales investments in Europe, bringing in a new European theater leader, who came in Ethos with experience, and we are building a theme. It's also helping us to drive some of our customer's business needs and projects within Europe and vice versa so that's one.
- We are also augmenting our presence in the Asia Pacific region based out of Singapore. We have added a significant amount of management talent there. And we expect those businesses in that region to also grow significantly. So, I think as we have continued to look at markets, where we are present, we also looked at customers and how we can serve them, many of our customers are present in all the markets that we operate. So, therefore, we need to bring in certain scale. So, going forward, we expect businesses in Europe to scale up, it wouldn't change the proportion of business dramatically, but the overall volume in the market.
- Parth Goswami:** Just a last one, given the current economic environment, the enterprises are making significant investment in technology infrastructure to stay ahead of the curve. So, what is the share of Cloud as a percentage of Black Box consolidated revenue? And margin profiles of the same? And what are the plans to scale up this piece of business?

Sanjeev Verma: So, we did our segment ourselves purely from a Cloud business because as I alluded earlier our Cloud business is a generic term for a Cloud provider, Cloud builder, and a Cloud partner. So, there are various kinds of players as you know that you have Amazon, you have Google, you have Facebook, they are all Cloud clients. So, we play in various sides of the aisle, right. We are a data center partner for building Cloud. We also provide some of our services and solutions, more specifically due to workplace contact center, including our cyber business (**inaudible 00:51:47**) through the Cloud. So, you do not have a specific percentage for that. But we expect all the aspects of our Cloud business within our global solutions business to grow with the data center, Cloud, cybersecurity, or contact center or digital workplace, to significantly grow and drive our growth and as I said, we are looking at 15% to 20% organic growth, and we are confident of doing that over the next couple of years.

Moderator: Thank you. As there are no further questions, we have reached the end of question and answer session. I would now like to hand the conference over to Mr. Sanjeev Verma, for closing comments.

Sanjeev Verma: Thank you. With this, I would like to thank everyone, for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with me, or Strategy Growth Advisors, our Investor Relation Advisors. Thank you so much.

Moderator: Thank you. On behalf of Black Box Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines.