



**“Aditya Infotech Limited
Q1 FY 2026 Earnings Conference Call”
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MR. YOGESH SHARMA – CHIEF FINANCIAL OFFICER**

MODERATOR: MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Aditya Infotech Q1 FY '26 Conference Call, hosted by ICICI Securities Limited.

As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*”, then “0” on your touch-tone phone.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities Limited. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Zico. On behalf of ICICI Securities, we welcome you all to Q1 FY '26 results conference call of Aditya Infotech Limited.

We have with us today Senior Management represented by Mr. Aditya Khemka – Managing Director, Mr. Anup Nair – President (Strategy and Business Development), and Mr. Yogesh Sharma – Chief Financial Officer.

Now, I hand over the call to the Management for their initial comments on the quarterly performance, and then we will open the floor for question-and-answer session. Thanks and over to you, Aditya sir.

Aditya Khemka: Yes, thank you, Aniruddha. And good evening, everyone. First of all, thank you for joining us today for this maiden Earnings Call. We have uploaded the Investor Presentation on the Stock Exchanges, and I hope everybody had an opportunity to go through the same.

2025 has been a milestone year for Aditya Infotech. We got listed on both NSE and BSE on 5th August this month, marking a new chapter in our growth journey. And I would like to take this opportunity to thank the entire Aditya Infotech team, our bankers, advisors, and most importantly, all our investors for the trust you have placed in us.

Since this is our maiden earnings call, I would like to begin with a brief overview of the company, and the strategic direction ahead before moving to the quarter's performance.

Aditya Infotech Limited was incorporated in 1995, with the vision of bringing futuristic technology products to the Indian market much ahead of time. In our earlier years, we operated primarily as a distributor of leading global IT brands before moving into the security and surveillance segment in 2007 when CP PLUS brand was born. Over the years, Aditya Infotech has undergone a remarkable transformation from a distribution company to a consumer brand driven, innovation-focused manufacturer.

Today, we stand amongst the largest provider of video security and surveillance products, solutions and services in India, commanding a 20.8% market share in FY '25 and ranking as

third largest manufacturer of surveillance products globally in terms of units manufactured; with over 4,100 employees reflecting a sustained leadership, skill, and deep rooted presence across the industry.

In 2017, we took a significant step focusing on the Make-in-India journey by forming a 50:50 joint venture with Dixon Technologies (India) Limited, namely AIL Dixon Technologies Private Limited, to establish a domestic manufacturing for CCTV products including cameras, recorders, and all allied security products. Last year in September 2024, we then acquired Dixon's 50% stake in the JV, making AIL Dixon a wholly owned subsidiary. And Dixon in turn retained 6.6% stake in Aditya Infotech, underscoring their long-term confidence in our growth journey.

Today, we operate a state-of-the-art manufacturing facility in Kadapa, Andhra Pradesh, with an installed capacity of 1.5 million units per month, spread over more than 3.5 lakh square feet. This is India's largest single location surveillance manufacturing facility, and the third largest worldwide. Our manufacturing capabilities are backed by strong research and development initiatives, and we have a dedicated R&D facility with highly experienced engineers in Noida who play a pivotal role in designing and developing new products, incorporating customer feedback, and enhancing existing technologies. We have also recently just opened a second R&D center in Ahmedabad, and are in the process of setting up an R&D center in Taiwan very soon.

Let me now take you through our products portfolio under our brand CP PLUS.

CP PLUS has emerged as one of the largest and most trusted brands in the security and surveillance segment in India, and are offering a span of wide range tailored to meet the needs of all Customer Vertical segments from government to businesses to homes. We offer all kinds of CCTV cameras from analog HD to IP network cameras, to Wi-Fi, to 4G, to thermal, explosion proof, AI cameras and so on; backed by all kinds of recording devices like DVR and VR, and supporting products for providing complete bill of material under the CP PLUS brand to our customers.

In our professional range, we have AI network cameras with features like facial recognition, low-light capabilities, and real-time video analytics. Our NVRs deliver high-resolution recording with remote access and scalable storage. We have products like automatic number plate recognition cameras for traffic, and GPS-enabled mobile NVRs for trains, buses, to law enforcement cameras for body-worn, which we have body-worn cameras for police, and interactive displays for monitoring and collaboration in the control rooms.

We also do a lot of products in the consumer home IoT space, where ezyKam smart Wi-Fi cameras for home use, or 4G-enabled cameras for locations without wired internet, and CarKam dashcams for on-road recording, provide safety for the consumer segment. Supporting these solutions, we also do a lot of cabling solutions, power solutions, and all the accessories, finishing the complete BOM.

Finally, our services and solutions include CP PLUS Cloud Storage for redundancy backup and mobile-accessible video storage; CP PLUS AI, which delivers video analytics and process automation capabilities; and OnVigil, which is our AI IoT platform for monitoring services.

We segment our market into four key segments:

Government, Enterprise, Small-medium businesses, and Home, and CP PLUS customer base is well-balanced in all of these segments. Our largest pie comes from the SMB space, which constitutes 60% of our revenue, and we continue to see strong adoption of solutions in the small-medium businesses. With our expansion of our exclusive Galaxy stores, which are partner-owned franchisee stores, this further enhances customers' touch and feel to our products.

Large enterprise and government projects contribute about 30% of our revenues, driven by increasing participation in critical infrastructure and public safety deployments. We are continuously investing additional manpower focused on verticals, consultants, and larger sites to further strengthen our share in the space, and are already seeing good traction in key ventures. The last pie of 10% comes from the consumer home segment, wherein the strong brand recall of CP PLUS is a big USP. This segment is catered via the online marketplaces, as well as the offline channel.

In almost every vertical segment in the country, we have tons of wins and successful case studies, be it BFSI, retail, hospitality, smart city, manufacturing, education, law enforcement, and so on. Our competitive edge is anchored in scale, brand leadership, innovation and customer engagement. We are the largest manufacturer of surveillance products outside China, and the first player to create a true consumer brand in India's security and surveillance industry.

CP PLUS has the largest distribution network, comprising over 1,000 plus distributors and 2,000 plus system integrators across more than 500 cities, supported by 48 branch offices, and another 13 RMA service centers, building trust and driving growth. Our marketing initiatives, ranging from celebrity endorsements and high impact campaigns to only channel below the line marketing and promotions reinforce our tagline, "Uparwala Sab Dekh Raha Hai", and strengthen our leadership in the security and surveillance sector.

CP PLUS is also deeply committed to skill development and capacity building in partnership with the Ministry of Skill Development and Entrepreneurship. And have successfully engaged over 50,000 participants until now under our Mission Tech and other training programs, strengthening the talent pool and fostering industry wide growth.

To give you a flavor of the industry. Overall, this industry in India is undergoing a period of strong expansion driven by rapid urbanization, rising security consciousness and significant government-led infrastructure spending. According to Frost & Sullivan report, the Indian video surveillance market is experiencing a surge with market value estimated at Rs. 106 billion during fiscal 2025. The growth is expected to continue at a CAGR of 16.5% annually until FY '30. And

number of video surveillance units sold is also poised for significant growth from Rs. 39.7 million now in 2025 to go to almost Rs. 75 million by FY '30.

This growth can be attributed to several factors, including rising awareness, and prioritization of security by both individuals as well as businesses, along with government initiatives promoting advanced security infrastructure in the Safe and Smart City projects. Additionally, technological advancements in security and surveillance technology and advanced video analytics like GenAI further make these products and solutions increasingly appealing.

One important point that resets the industry now, which I would like to highlight is the new norm of STQC certifications under the PPO and CRO set by the Government of India. The Standardization Testing & Quality Certification Directorate under the Ministry of Electronics and Information Technology plays a vital role in ensuring the quality and competitiveness of India's IT and electronics industry.

MeITY has mandated that from April 9, 2025, all network CCTV cameras sold in India must be STQC certified. This regulation aims to ensure that devices are trustworthy, of good quality, and protect user privacy, addressing all cybersecurity risks posed by low-cost, uncertified imports lacking even basic security features. The STQC mandate creates a competitive advantage for Indian OEMs who are developing and manufacturing CCTV products locally, as their offerings are more readily compliant.

For a certified domestic brand like ours, with clear differentiators including largest portfolio of STQC certified product lines, consumer brand that is literally synonymous with the category, largest manufacturing backed with deep R&D investments, and an unparalleled distribution reach, means that we are best placed to gain maximum market share, and beat the industry growth rate to achieve our goal of over 25% growth this year.

Now coming to the business highlights, which we have done over the last quarter.

CP PLUS has currently the largest portfolio of STQC and BIS certified products under the new norm. In line with our planned investments into R&D and localization, we have opened new R&D centers in Ahmedabad, and shortly opening one in Taiwan. We are also working on complete backward integration of components, be it enclosures, housings, cable connectors, power electronics, and also CCTV lenses.

We had a few key appointments, Upendra Shukla joined as President Manufacturing, and Rajiv Manchanda joined as GM Credit. We re-initiated our consumer marketing campaign, especially on the out-of-home advertising at all the major airports across the nation, emphasizing on the STQC certified product range backed with CP PLUS Trust Core technology.

I also would like to highlight that there is always a seasonality in our business, and Q1 is generally 18% to 20% of our annual business, which has been the trend over the last many years.

This quarter, we have been able to still achieve the growth, even with the limited supplies of STQC certified products, which came in the end of June, and also the channel stock of non-STQC was getting consumed.

Let me now invite our CFO – Yogesh Sharma, to walk you through the highlights of our IPO and the financial performance. Thank you.

Yogesh Sharma:

Thank you, Aditya ji. Good evening, everyone. This is Yogesh Sharma. I warmly welcome everyone to our Earnings Call for Quarter 1 FY '26.

Over the years, our business has delivered strong, consistent growth on both revenue and profits. Building on this momentum, our strong performance has continued into the 1st Quarter of FY '26 also, reflecting both the resilience of our business model and the growing opportunities in our industry.

On a consolidated basis, our revenue from operations grew by 16.4%, Y-o-Y to Rs. 740 crores in Q1 FY '26. EBITDA stood at Rs. 64.9 crores, reflecting a growth of 47.5% Y-o-Y. EBITDA margin stood at 8.7% in Q1 FY '26, as against 6.9% in Q1 FY '25, which reflects an increase in 180 basis points. Our PAT stood at Rs. 32.9 crores, reflecting a growth of 46.1% Y-o-Y. PAT margin stood at 4.4%, compared to 3.5% in the same quarter last year, which reflects an increase of 90 basis points.

In August 2025, our IPO successfully raised Rs. 1,300 crores through a combination of fresh issue and offer for sale. From the Rs. 500 crores fresh issue, we allocated Rs. 375 crores towards repayment of borrowings. As of 31 May 2025, our total borrowings stood at Rs. 423 crores. This repayment has reduced our gross debt by 89%, bringing it down to just Rs. 48 crores.

This substantial de-leveraging will significantly reduce our finance costs, enhance profitability, and freeing up internal resources to fund strategic growth initiatives, capacity expansion and innovation programs. The remaining proceeds from the IPO will be deployed towards general corporate purposes, further strengthening our liquidity position and providing financial flexibility. By achieving this debt reduction, we have reinforced our balance sheet, improved our debt liquidity profile, and created a strong platform to pursue long-term value creation towards stakeholders.

Now, handing over to Aditya ji to throw some light on the full-year guidance. Thank you.

Aditya Khemka:

Thank you, Yogesh. So, building on to this strong start of the year, we are confident of delivering robust growth for the Full Year FY '26.

On the revenue front, we expect to close in the range of Rs. 3,900 to Rs. 4,100 crores, delivering over 25% annual growth, beating the industry growth of 16.5% CAGR, thereby leading to further market share gains. The STQC guidelines have taken effect in the market, and we envisage

higher growth both in terms of units as well as value in the IP camera segment, and also the higher-end products used in projects.

The EBITDA margin is expected to be in the range of 10% to 11%, and the PAT margins are expected to close in the range of 6% to 7%, which is driven by a brand mix improvement, margin expansion in the CP PLUS business, cost savings from the debt repayment post-IPO, full consolidation of AIL Dixon manufacturing entity, and scaled efficiencies from overall plant operations, which will further, hopefully, enhance margins.

Q1 FY '26 has set a strong foundation for the year ahead. With a robust balance sheet, supportive industry tailwinds, and a clear roadmap, we are well-poised to deliver growth ahead of the market, supported by structural margin levers, cost efficiency, and financial discipline. We remain committed to deliver profitable growth and creating long-term value for our shareholders.

I would like to once again thank everyone for joining the call today. And we can open the Q&A session, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Rajesh Kothari with AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Good afternoon, sir. Congratulations for a good set of numbers. I have two questions. My first question is with reference to this new norms, STQC, which came into force very recently, how do you see the early trends? And how do you see the overall industry environment to change, because that means effectively the competition, particularly from Hikvision basically will reduce?

And number two, in long-term, what are the levers which can help us to improve the margins, EBITDA levels from current levels?

Aditya Khemka: Yes, so thank you. So I will take the first one on the STQC, what's happening in the market. So this went live on the 9th of April. And most of the brands actually finished their inventories last stocks in the market prior to that. So those inventories are now getting consumed. And post-STQC, like I mentioned, this is more like a reset of the industry. So, the neighboring country brands, because of the trusted supply chain and the various clauses which are there in the whole policy, and the semicon and the critical components cannot be from those countries or those brands. Those will generate a vacuum in the market which is the opportunity for domestic brands or maybe global brands to capture.

As we speak today, only a few Indian brands have few models certified where CP PLUS has the largest certified range. The global brands are still in the process. And the Asian, especially the brands from our neighboring countries are in a scaling down mode, looking at newer product categories. This quarter we see this transition to creep in because the non-STQC inventory will

dry up. We are already seeing signs of that. So, I think we will start seeing the shift towards resetting of the market share as we progress month by month.

And the second question you said was the margin levers, right? So several margin levers, Anup, you want to take that?

Anup Nair: Yes, hi, Rajesh. So like we were explaining on the presentation, there are multiple levers that we see for the margin expansion, one is the product mix itself. So as we grow our own brand more aggressively, the share of revenues within the company will be over almost 90% of our own brand. So that will also lead to margin expansion, plus the margin realizations of CP PLUS itself is increasing post-STQC.

The other point is, like Yogesh was mentioning, we have retired debt in the company, so this will also lead to significant financial cost savings. And third is we are now fully integrating AIL Dixon, which was our manufacturing JV, which is now 100% subsidiary. So this is also leading to efficiencies of scale that are coming in manufacturing. And we are also increasing the localization content in our product line, this is also increasing the margin levers in the company.

Rajesh Kothari: Would you like to quantify in terms of over next two, three years, how do you see all these four factors leading to what kind of target EBITDA level margins you are expecting before interest and before depreciation?

Anup Nair: So Rajesh, like Aditya ji was mentioning, this is a transitionary year. The next few quarters is when things will settle down and we will get to a steady state. So in terms of guidance, at least for the year, we gave you a guidance that in EBITDA levels we will be somewhere around 10% to 11%, and PAT would be at about 6% to 7%. I think it's a bit too early to give you individually how much each of this will contribute because the norms have just come in. And like we said, our own STQC product lines just started flowing in from June end. So, I think it will take a couple of quarters to see how the market settles and what kind of market share gains also we can do. So possibly we could answer this query maybe in two quarters down the line.

Rajesh Kothari: Great. Thank you, sir.

Anup Nair: Thank you.

Moderator: Thank you. Our next question comes from Dhruv Jain with Ambit Institutional Equities. Please go ahead.

Dhruv Jain: Thank you so much for this opportunity, sir. My first question is on the channel inventory. So post-STQC implementation what we understood was there was a lot of pre-buying in the market. So, just want to understand where is the market right now in terms of channel inventory? And incrementally, how are you looking at that sort of getting eased out through the year? That's my first question.

- Aditya Khemka:** Yes. So, Dhruv, I think, as I just mentioned, the inventories are seeing signs of drying up, so I do not think they will last beyond this quarter. Even in this quarter, many models like there is a wide range of products, many SKUs have dried up. Certain parts of the country have already started shifting to the new norms and the new range because they are adopting faster. We are seeing good traction in South and West India already on STQC. And things are already shifting. So, we believe within this quarter the whole old inventory will literally dry up completely, and the whole market has to be fully shifted towards the STQC norms.
- Dhruv Jain:** Sure. My second question is on, in this quarter you have seen a very sharp growth, right? So, just want to understand, firstly, what was the mix between volume and value growth? And incrementally, what is the price differential between a non-STQC model or say an IP camera versus the other camera, because we have also seen a very sharp improvement in your gross margins?
- Anup Nair:** So Dhruv, the revenue growth for last quarter was only about 16%, which is more or less in line with the industry. So, it's not been the sharp growth, especially when we are guiding for 25% plus growth in the whole year. So, I think it's just been normal growth. And like we mentioned, our STQC supplies came in only towards the end of June. So, the price rise was only in the STQC IP stocks. So, whatever revenue growth that you have seen is purely mainly driven by the quantity because the value increase in terms of the ASP increase has not really kicked in. That impact you will see in this quarter when we will be selling majorly STQC IP stocks.
- Dhruv Jain:** So, broadly, what's the pricing differential between STQC and non-STQC models? Like, what's going to be the price hike that will come through in the market?
- Aditya Khemka:** Yes. So, I can explain it in the ASP. We segment the IP cameras into entry, mid, high; three buckets. In the higher-end, the differential will be like smaller, 5%, 7% only, because those products were already made on a very high-end SoC with a lot of memory and security already. In the mid-range, it will be probably 10% to 15%. In the low-end, entry-level, now you cannot make products on those cheaper SoCs, you need to double up the memory, put in a lot of fortifying technology inside the product to make it fully secure. There, the differential will be over 20% on the cost.
- Dhruv Jain:** I get the point. And sir, if I may, just one question. So, you also, if I am not wrong, had a Dahua business, right, in terms of distribution? So, if my understanding is correct, that business will completely phase out, and you will start sort of pushing a lot more CP PLUS products. So, that's how we should think the margins, right? And if you could spell out what's the difference between the margin for that Dahua distribution and your own margin? So, that will help us in terms of understanding how this margin expansion will come through.
- Aditya Khemka:** So, I think the differential is almost 3x because that's a pure distribution business, like a distribution trading business. It has been a one and a half decade relationship. But now with the new norms, most of these brands from the neighboring country are getting disqualified. So, we

see a sharp decline in terms of revenue with respect to those distribution pie. And as I mentioned, the domestic brands will scale up with CP PLUS being the largest player, we see a larger pie coming to us. So, I think that shift will happen, and the differential is 3x the margin.

Dhruv Jain: Great. Thank you so much and all the best.

Aditya Khemka: Thank you.

Anup Nair: Thank you.

Moderator: Thank you. Our next question comes from Gokul Maheshwari with Awriga Capital Advisors LLP. Please go ahead.

Gokul Maheshwari: Yes. Hi. Thank you for the opportunity. My first question is that how much of your business will be coming from tender businesses, and what would be the terms of the trade different than your normal other B2C business?

Aditya Khemka: So, Gokul, we first of all do not participate in tenders as a company directly. So, our sales and go-to-market is threefold. One is our dealer distribution and channel network, which is the distributors over 500 cities. Second is system integrators, which could be PSUs, large-scale PSUs, or large-scale system integrators, or regional system integrators. And third is the online marketplace or the LFR market segment.

As a brand and a company, we provide products, technology, solutions, service, support, handholding, everything, but we do not bid to the end-user, or do not do direct end-user business. With respect to the trade terms, it's in the distribution and SI pretty much similar, if there is a large scale case we also try to work on secured terms because the exposures are larger. And generally, these are sometimes large organizations picking up those large cases.

Gokul Maheshwari: Okay, great. And my second question is on the Dahua brand, this brand is going to decline this year, so in your overall guidance what is the growth rate which you are assuming for the core CP PLUS brand, and the sort of decline which you are budgeting for the Dahua brand?

Anup Nair: Hi, Gokul. Anup here. So yes, you rightfully pointed out that Dahua will slowly start declining because as the non-STQC IP stocks of Dahua as we have, that's the only IP stock that is going to sell. And if you see the overall industry growth rate also when we are saying that the industry is growing by 16%, 17%, it will be IP portfolio which is growing almost 25% plus where these players cannot participate. So just to give you an indication, I think this year also in Dahua in terms of revenue we would possibly see a decline of more than 25%, 30% in the Dahua revenues year-on-year. And you already have the guidance of the company revenue, so all that would be coming from CP PLUS.

Gokul Maheshwari: Great, great. Thank you so much and all the best.

- Aditya Khemka:** Sure. Thanks Gokul.
- Moderator:** Thank you. Our next question comes from Ram Modi from Prabhudas Lilladher. Please go ahead.
- Ram Modi:** Hi, sir. Thanks for the opportunity. So just, in terms of you alluded for the guidance for this year, I just wanted to look at it for a three year to five year perspective, what kind of consistent CAGR growth we can achieve in the market, and what can be the TAM as well as how fast is the market growing? If I am looking at it for a three to five year perspective.
- Anup Nair:** Hi Ram. So when we quoted the Frost report, so in terms of units, this market is about 4.5 crores units of camera this year. And Frost is estimating that this will become almost more than double by 2030. And so, in terms of the industry growth rate, this industry is growing at both value as well as quantity terms about 16%, 17% for the next five years at least. Now our guidance is that even in the past, if you take a three or five year period, we have always been beating the industry growth rate. And with this opportunity of STQC and with all the major modes that we spoke about in terms of R&D, manufacturing, distribution, reach and brand, we will consistently easily beat the industry growth rate. But slightly difficult at this point in to say what would be the CAGR over a five year period. But at least in the internal perspective, we always try to see this between 20% to 25% CAGR. And that's what our past has also been in, from the last five year period also the CAGR has been about 20%.
- Ram Modi:** And for this kind of CAGR growth if we achieve, what kind of CAPEX we would be needing to do for this kind of growth?
- Aditya Khemka:** So I think we have already budgeted our CAPEX for the next two years for factory expansion and few other needs. So it's probably about Rs. 200 odd crores at the moment, unless we look at more JVs or more acquisitions which are possible in the future. But for this kind of growth I think in the next two years this kind of CAPEX will be there. I believe we should be able to fund it with the net free cash flows.
- Ram Modi:** Okay. And last question from my side, any adjacencies for growth which are looking at or you will be concentrating on the security systems itself?
- Anup Nair:** Yes. Ram, so there are a few adjacencies we are looking at in terms of associated product lines, and we are possibly looking at inorganic opportunities also here. We will come back to you as an when we are sort of shortlisted on that. As of now the growth in the core CCTV category itself is so strong, and we are at the moment putting all our energies and focus over the next few quarters to ensure that this market share gains happens, and we encash this opportunity of the STQC regulation. But yes, it's in our mind, and it's on our table plans in order to grow the categories. And we should get back to you soon on this.
- Ram Modi:** Okay. Thanks for this. Thank you.

Moderator: Thank you. Our next question comes from Priyank Chheda with Vallum Capital. Please go ahead.

Priyank Chheda: Yes, hi sir. Thank you for the opportunity. Sir, what would be the volumes that we would have sold in this quarter on the total level and would it be possible to divide these volumes in IP and analog cameras?

Anup Nair: Anuj, I think it's slightly difficult to go into those details on this call. We can possibly get back to you on those details.

Anup Nair: So from an indication perspective, I think what will give you an idea is probably in this quarter we will sell 3x the quantities of IP cameras that we sold in the last quarter. So, last quarter is really not a benchmark, but we can get back to you with the quantity breakups.

Priyank Chheda: Sure. And one last question on this STQC implementation which has happened, have you seen the final cameras that were getting imported? I believe on a full year India used to import somewhere around Rs. 5,000 crores worth of cameras from the neighboring countries mainly, have you seen that going down, with the implementation of this STQC?

Aditya Khemka: Sorry, what is the figure you said?

Priyank Chheda: From the HSN code which I could gather, it was roughly around Rs. 5,000 crores.

Aditya Khemka: Which is imports of which, overall from or what is this? This figure is imports of?

Priyank Chheda: Of the total CCTV cameras.

Aditya Khemka: Yes. So, basically, that has already stopped. Finished product import is literally very low now. So only analog some might be doing, but that's a flat market. In the IP camera space, unless you are qualified, because see what has happened is, BIS has taken off all the old R-numbers of all the brands that were registered who are not STQC qualified. So this also happened in April, end of April. And to obtain the new BIS, it has to go model wise. We had to get the certification done and then get the R-number from BIS. So it's a process which is being followed, and without that you cannot sell. So I do not know if some people doing that without the R-number, it's a different story, that's a grey market, which might be miniscule. But largely, we see a great reduction on that.

Priyank Chheda: Got it. And in terms of our capacity, I suppose we had a capacity of 1.5 million cameras per month, roughly around 18 million units that we have. Would it be possible to follow the timeline? And then we are looking at the expansion, right, on nearing doubling of the capacity, so what would be the timeline by when the capacity expansion would come online?

- Aditya Khemka:** So it's already in action. So last quarter we did not utilize our full capacity also because of the certification process and the old stocks in the market. This quarter, we are trying to scale up our capacity to almost 90%, 100% level. And by next quarter, we will already be at, almost 30% higher capacity build up, and we plan to scale up to 2.3 million, 2.4 million by Q1 of next financial year.
- Priyank Chheda:** Okay. Got it. Thank you.
- Moderator:** Thank you. Our next question comes from Anuj Kashyap with A3 Capital. Please go ahead.
- Anuj Kashyap:** Yes. Congratulations on your debut. Sir, I just wanted to know in percentage terms, how much of our supply chain is import dependent, still import dependent, in percentage terms?
- Aditya Khemka:** So, see, I exactly cannot define percentage. But all these semicon, because we do not have fabs in India are coming from abroad. Semicon means semiconductor, SOC, memory, DRAM these things, and the passive electronic components are also coming from abroad because those ecosystems still do not have either quantity capacity or the quality or the cost capacity in India, and it's coming up, the government is pushing it. But until it comes we are dependent on import, which is almost 60% of the BOM. The balance 40% we are already in motion to localize, which is all the enclosures. We have already invested in most of the housings, moulds, cable connectors, all those designs and everything, and it's already localized with third-party manufacturers. And the company has plans to set up own in-house manufacturing also, in the near future. So we use both in-house and third-party. Same with cables, connectors, we are doing some work on that also in-house and outside. We started the lens manufacturing also in India, and that will go into the volume in the coming quarter. So those things are in motion. So, right now it might be maybe more than 70%, but it will come down to 60%, until the component electronic ecosystem comes in India, and that is true for almost every electronic.
- Anuj Kashyap:** But sir, is it country specific like imports, like do we have diversification like Taiwan or China, or we are only dependent on single country?
- Aditya Khemka:** No, no, no. See in the new STQC norm, first of all you cannot use a Chinese SOC or a critical component. So almost out of that 60%, 35% of the BOM which is the core and the heart and the brain cannot be from China. So, that has all moved to Taiwan fabs, and Taiwanese or American companies, and we have already aligned with all of them. Over the last two years the R&D and the teams have been working on that. The passive electronics we continue to do some from Taiwan, some from China or Singapore, these are small passive electronics.
- Anuj Kashyap:** And sir, one more question sir, like sir in the near future, like one to two years, the ecosystem gets developed and we have our own line-ups, so are you considering export even for the CP PLUS brands? Are we taking into consideration that stuff, the export stuff?

- Aditya Khemka:** Yes. So see, in past we have sold products globally in many countries, and products have been successfully deployed and used. We could not sustain some challenges from the Chinese in the past years, but now the whole world is changing, the geopolitics is changing, and we have a great China Plus One opportunity. I think CP PLUS is best poised for that China Plus One strategy. So, while we have too much on our plate right now to do within the domestic market, which we of course the focus will be to solidify further the home turf and gain more market shares. On the parallel, on the other side, we will start taking baby steps on the exports opportunity and the China Plus One strategy. So in the next coming years, for sure, that's on the cards.
- Anuj Kashyap:** And for the add-on, export will be margin accretive for us, that's right proposition?
- Yogesh Sharma:** Margin accretive.
- Aditya Khemka:** Yes, yes. So early to say, but yes, it should be.
- Anuj Kashyap:** It should be, right? Basic logic, sir, it should be like that. Congratulations for the future, and we hope we get to see more. Okay. Thank you.
- Aditya Khemka:** Thank you so much. Thank you.
- Moderator:** Thank you. Our next question comes from Raman KV with Sequent Investments. Please go ahead.
- Raman KV:** Sir, I just want to understand what's our production capacity of this CCTV cameras annually?
- Aditya Khemka:** Like we mentioned, it's about 1.5 million monthly, so about 18 million annually. And we are increasing it to 1.9 million from next quarter, going up to 2.3 million by April. That's the plan. So next quarter, investments and factory expansion is already in place.
- Raman KV:** And, sir, I just want to understand the unit economics. So how much, like on an average, what's your selling realization of CCTV camera?
- Aditya Khemka:** See, it depends again, because this is the capacity for all cameras, recorders, which is put together. Analog cameras realization is let's say Rs. 1,000. The IP cameras can be 3x of that value, so it depends. The consumer home cameras could be Rs. 1,000 to Rs. 2,000. So that's the ASP we generally do. Of course, there are project products and all like PDVs and all which go Rs. 30,000 and Rs. 40,000 also, which are in large projects and all. So it depends. So we generally do not look at unit economics. It's very diverse.
- Raman KV:** Okay. And sir, you said we do not have in-house manufacturing, right? We outsource the manufacturing part of the remaining 30% of the entire ecosystem. Is my understanding right?
- Aditya Khemka:** No, no, no. I think everything is in-house. Nothing is outsourced from outside.

- Raman KV:** Earlier you mentioned that you have a third-party manufacturing for molds and cable connectors?
- Anup Nair:** No, no, Raman, it was a 50%-50% JV, which was almost set up almost six years back. As of last September, we acquired the remaining 50%, so it's a 100% subsidiary. And this first 50:50 JV with Dixon, now it's a 100% subsidiary. The name is AIL Dixon. So the whole capacity is in the 100% subsidiary, and it's completely in-house.
- Raman KV:** Okay, and I just want to understand how much CAPEX will be required to set up a manufacturing unit? Let's say about, 1 million pieces per month.
- Aditya Khemka:** So, see, we do not see it that way, there are other processes also. I think in terms of the further, we spoke about the capacity increase that is going to happen. And in terms of our CAPEX over the next two years, we will be about Rs. 200 crores. So that includes the capacity expansion as well as the backward integration and the more localization that is there.
- Raman KV:** And from this Rs. 200 crores of CAPEX, which you are planning to incur over the period of two years, how much incremental revenue can we add?
- Anup Nair:** So, Raman, we are not forecasting for the year beyond. But in terms of capacities, we can say that we will increase the capacities to almost 2.5 million. So maybe 60% further revenues growth can happen. But at the moment, we have not guided for the next year.
- Raman KV:** I just wanted to understand over the period, like you said that Rs. 200 crores CAPEX will be taking over the period of three years, next three years --
- Anup Nair:** Two years, Raman.
- Raman KV:** So I just wanted to understand how much will be the peak revenue from this CAPEX.
- Anup Nair:** So the CAPEX that we said will be over the next two years and that should help us grow our revenues of possibly 60% over the next two years.
- Raman KV:** Okay. And sir my final question is with respect to the recently acquired Dixon JV. How much did you pay to get the 50% of the remaining Dixon? And does Dixon still hold any minority shares?
- Aditya Khemka:** Yes. So all that information was there in the DRHP. So this deal happened as of September of last year. But that was based on I think the financials of the year before. And the deal was at about Rs. 4,000 crores, but it was not a cash deal. Because Dixon is a strategic partner and wanted to be part of this journey. So there was a share swap that happened, and they owned about 6.5% in the parent company. And that deal valuation at that point in time was Rs. 4,000

crores. But it's more of a strategic deal because they have been a partner for almost six plus years. And it was, there are other parameters.

Raman KV: So they still own 6.5% in the manufacturing JV, right?

Aditya Khemka: Yes, almost, based on whatever dilution has happened in the IPO.

Raman KV: Okay, thank you sir.

Moderator: Thank you. The last question for today comes from Mulesh Savla from Shah & Savla LLP. Please go ahead.

Mulesh Savla: Thanks for taking my question, and heartiest congratulations on bumper listing, and good set of numbers. And also thanks for a very detailed and in-depth commentary on the company's business model. Most of my questions have been answered, but sir, I just wanted to have one clarification on local content in our products. You said about 40% we will reach. So this 40% of local content will be 100% manufactured by India, or I mean by the company or we will be sourcing it locally?

Aditya Khemka: So, I think the starting journey will be mixed bag. So like I said things like housing, cable connectors, lenses, we will do in-house also and third-party also. At the moment difficult to say whether we will stop the third-party because there are so many models, so many wide diverse product range, and it will be new for us also. So I do not know whether we will shift all in-house, possibly we will keep both, and then we see the efficiencies and the optimizations, what works better for us, and take a call as we progress in the coming two, three years, whether it's all third-party, all in-house or a mixed bag.

Mulesh Savla: Okay. One last question from my side. We have a good expectation of 20%-25% CAGR for another three to five years. I just want to know as per management's thought what can be the challenge or negative which can restrict our growth to this level?

Aditya Khemka: So you see, if you look at last five to six years, we have been delivering 20% plus CAGR in the adverse situations where we were challenged by the onslaughts of some of the Chinese giants, and some of them were government owned companies also, by the Communist Party of China. So I think we have fairly done well to reach to this position.

Moving forward, we feel we are in an even better position with the tailwinds provided by the government to have cyber security norms and other things in place, and the further actions that the company is doing on literally every front, be it R&D, manufacturing, localization or the go-to-market different strategies in different verticals.

So I think we should be able to do that. Now whether we scale X or a Y, well, I think all depend on how well we execute it. So I think we are all day in day out working on our people, our strengths, and our execution to see that we are able to deliver what we are talking.

Mulesh Savla: Good. So, even EBITDA margin also in the range of about 10% to 12% and PAT about 6% to 10%.

Aditya Khemka: So our next year guidance has been 10% to 11% EBITDA and 6% to 7% PAT. Further beyond that, let's see how it goes. I think as Anup mentioned let the new norms stabilize the market and stabilize the new product range. Thereafter we will have a better visibility.

Mulesh Savla: Great, great. Thank you so much and wish you all the very best.

Aditya Khemka: Thank you so much. Thank you everyone.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Anup Nair: So thanks to ICICI for organizing this call and thanks to SGA for coordinating this, and this is our first earnings call, so, and we take all the wishes from everyone, and hope to see you soon on the next earnings call.

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