Redington (India) Ltd

Q1 FY 2018 Results

Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to Redington's Q1 FY18 earnings conference call hosted by Investec Capital Services. 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 telephone. I would now like to hand the conference over to Mr. Nitin Padmanabhan. Thank you and over to you, Sir!

Nitin Padmanabhan: Thank you, Janice. Good evening, everyone. On behalf of Investec Capital Services, I welcome you all to the Q1 FY18 earnings call of Redington India Limited. We have with us today, the senior management team from Redington represented by Mr. Raj Shankar, MD, Mr. S. V. Krishnan, CFO, Mr. S. Jayaraman, VP Treasury, and Ms. Sowmiya, Manager - Investor Relations. I will now hand over the call to Mr. Raj Shankar for his opening remarks, post which we can open the floor for Q&A. Over to you, Sir!

Raj Shankar: Thank you Nitin, and hello to everyone who has joined us on the call today. So I will quickly go over the highlights of our results for Q1 FY18. So first of all, on the back of the fact that it was one of the difficult quarters, particularly in India, on account of GST where there was a lot of destocking almost through whole of June, therefore, we were impacted, but in spite of that I am pleased to share with you that overall the company has registered a growth of 2.5% on the topline at a consolidated level and the profit growth being 5.6%. Now when you disaggregate this business between India and the overseas this quarter again overseas has had a very commendable performance with the revenue growth being 8% and profit growth of 21%. What is important to highlight here as far as the overseas is concerned is once again there has been a significant reduction in the working capital, so just to jog your memory in Q1 FY17, the net working capital days was 51, this for Q1 FY18 has dropped by 15 days to 36 days and the good news is on every single parameter, i.e., debtor days reduced from 50 to 43, similarly the inventory days from 34 to 27 and the creditor days increased by 1 day from 33 to 34. So, overall, for overseas, it has been another good quarter in spite of the fact that in Turkey, we had a serious challenge especially with the referendum that took place and therefore, for a good part of last quarter, the business came down to its knees.

Now, as far as India is concerned, I repeat again that on the back of GST where we went through a serious decline in business in the month of June, particularly though it was partially impacted in May as well, we registered a degrowth in India of 6%, and the profit degrowth was 9%. Now, it is just important to mention that the profit degrowth is also on account of increased tax; the effective tax rate was about 36%, up by about 1.5% compared to the previous quarter. Now, when you look at India, the good news is that there has been an operating cash flow and free cash flow. As far as the operating cash flow is concerned, it was

Rs. 46 Crores compared to Rs.18 Crores in Q1 FY17 and there is also free cash flow, which was neutral in Q1 FY17, but was Rs. 25 Crores as far as Q1 FY18 is concerned. Now, if we for a minute shift our focus to ProConnect, this once again has been another good quarter. Our growth in revenue was 89% largely on the back of the acquisition that we did in the previous year. The EBITDA growth was 49% and the profit growth after tax was 35%. They had also generated free cash flow for the quarter gone by. As far as Ensure is concerned, while there was a marginal dip in the revenue and in the profits, but the profitability of the business continues to be in good state. The issue here was that the business model had changes in one of the key businesses that we were doing and therefore that business is not something that we had for the last quarter even though it contributed to about 20% of our revenue and profits in Q1 FY17. Now, overall just to put things in perspective and give a little more colour to GST, I first want to mention that from a state of readiness and preparedness, Redington, ProConnect and Ensure were absolutely prepared and I am so pleased to share with you that the first GST invoice was issued at 6:20 p.m. on July 1, 2017 and then followed by many other invoices in the same day. Notwithstanding that many of our vendors, multinational as well as some of the other vendors were not prepared for being GST ready and this, therefore, had its own set of challenges. As you can imagine, unless the whole ecosystem, that is, the vendor, the distributor, the reseller, are all aligned to the GST system, it is very difficult, however much and however efficient any one distributor may be. But having said that, we have been able to ride over this GST transition relatively smoothly. We think that there would be a short-term impact in Q1 as degrowth that you see is largely attributed to GST. We think this challenge and struggle would probably continue into Q2, but starting Q3 and Q4, we expect things to stabilize and once again there has to be a gradual recovery and in the long term, we certainly think it is going to be a huge positive, as far as Redington is concerned, on the distribution side of the business and also for ProConnect, where we see a significant advantage in terms of the transportation business really now scaling up and there are many other opportunities as far as ProConnect is concerned. So, in summary, there is a short-term pain, there is going to be a medium-term recovery, and there is going to be a long-term huge positive as far as GST is concerned for Redington, ProConnect and Ensure. With this, I will hand it over back to Nitin and then if there are any questions happy to take them.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Q&A session. First question is from the line of Nitin Padmanabhan. Please go ahead.

Nitin Padmanabhan: Thank you. Sir, if you look at GST, you did give a fair sense that we could see some sort of impact going into next quarter, but how do you see the channel coping up at this point in time, any sense in terms of what percentage of the overall channel has become GST ready versus three months ago or a month ago and how has that changed? The other thing would be with regard to the whole warehousing consolidation that we were expecting, where is that today and how do you see that evolving?

Raj Shankar: So in terms of the channel readiness, I can tell you at this point in time, it appears that some of the larger players by and large seem to be, if not fully prepared, at least partially prepared, but our biggest challenge is as we look at the whole SMB space and that, to the medium to small players, is where we have a serious challenge because there is still a lot of confusion. There is also a whole host of challenges revolving around the tax rate. For instance, if it is a monitor only, then applicable GST rate is 28%. Now, if it is a PC, then it is 18%. However, when you take it in a composite manner, that is, you sell a PC with a monitor, then 18% is applicable. Now, to obtain this level of clarity on one product category, there is a lot of confusion and therefore this delayed our ability to bill and notwithstanding whether it is a multinational vendor, global vendor and so on. So there is still some confusion with regard to what is the applicable GST rate for certain product categories. There is also certain confusion with regard to the process of, for instance, when it is a bill to, ship to, and so on, how does the GST rate apply, will it apply based on the place where it is delivered or it is on the billing address and so on, so there are still lots of areas where we still do not have sufficient clarity. So, overall, if I have to give you a sense, channel readiness in the IT ecosystem, I think by and large 50% would be partial to good readiness and the other 50% would be a very low level of readiness, to that extent, it is delaying the whole billing process. As far as the other question on ProConnect is concerned, your question is about whether the warehousing consolidation will happen?

Nitin Padmanabhan: Yes.

Raj Shankar: So, on that, the way we are looking at today is slightly different from what we saw before, so one of the changes that we see is, for example, if I took Redington, then we see a situation where there would be consolidation, but not necessarily of warehouses, there would be consolidation of warehouse space. So, in other words, if today there are 82 warehouses dedicated for Redington admeasuring about 600,000 square feet; earlier we thought this 82 can come down to about 45 or 50 and then this in turn will mean that there will be bigger warehouses in a fewer locations and then we can quickly do the transportation because we believe that is something that will become very efficient. In the new scheme of things, what we are now seeing is we need not necessarily reduce 82 to 40 or 50, we will certainly see some reduction where there will be a hub and spoke, but we will want to also look at a possibility where there will be smaller feeder warehouse or a satellite warehouse in different locations, which will then provide superfast same day, same half day delivery service and this is something that we are also working on. Therefore, to cut the long story short, taking

Redington as an example, we definitely see there would be a consolidation more so on the warehouse space than necessarily of warehouses and there will be a reduction in terms of the rentals that we would have to pay for all these warehouses.

Nitin Padmanabhan: That explains quite a bit. Thank you so much. Over to you, Janice!

Moderator: Thank you. Next question is from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

Madhu Babu: Sir, can you give us an outlook for ProConnect? What is your three year vision in terms of scaling this business and what is the kind of capex commitment?

Raj Shankar: So, in the next three to four years, our whole intention is to take this business, two to three times in terms of both top and bottom-line and in terms of the capex that we expect over the next three year period, capex requirement will be in terms of Material Handling Equipments and other tools that are required from a warehousing perspective as also there would be capex on the acquisition side of the business because we are seriously planning to acquire some interesting assets, which will help us leverage our capability and this will also include apps and tools that will definitely bring in greater amount of efficiencies to our logistics business. So, in summary, it is likely to be in the vicinity of about Rs. 300 Crores rough and ready over the next three years, which would be a combination of both capex towards equipments as well as the inorganic acquisition of assets.

Madhu Babu: Sir, I think we are doing very well on the working capital, so can we take this as a steady state working capital cycle and what is the current net debt on the balance sheet?

S. V. Krishnan: Yes and the net debt as of June 30, 2017 is about Rs.1100 Crores.

Madhu Babu: Would we be able to maintain this kind of working capital cycle?

Raj Shankar: Yes, we should be able to do that, though at this point in time just to share with you, if you recall I have mentioned that what would be a little more on a steady state would be about 47-48 days. For Q1 FY18, it was 44 days. This is essentially coming out of a very significant reduction of almost 15 days in the case of overseas, so if you normalize it on a steady state we expect it to be about 47-48 days.

Madhu Babu: Lastly, on Ensure which is another high-margin business, what is the outlook there and how do we plan to scale Ensure?

Raj Shankar: So, on Ensure, we are now looking at two kinds of businesses. In the past, we were essentially focused only on the repair services and focused only on what we call the infrastructure management services. In the way forward, while we will continue to grow this piece of the business, which is the IMS, we also clearly see possibilities and for which we have already taken some baby steps in terms of becoming a managed security services provider as well as, also on the cloud, we plan to do some migration and consulting services. So, when you look at the way forward, which is more like one to two year timeframe, this business, in terms of both EBITDA and profit, will be even more profitable than what we see today. The only thing that it may suffer from at the moment is scale, but hopefully with this migration on stepping up the IMS business to the next level and scaling up on the MSSP and the MSP business, this should hopefully give us scale as well as higher profitability.

Madhu Babu: Okay Sir, thanks.

Moderator: Thank you. We take the next question from the line of Rishabh C from Enam Holdings. Please go ahead.

Rishabh C: Thank you for taking my question. Sir, post GST, have you seen any reduction in the transit time of the movement of your goods?

Raj Shankar: At this stage, it is a little too premature. There is a marginal improvement, but it is still a little too premature to be able to come to a definitive conclusion, but I can tell you it appears that probably, by September one should start to see a significant reduction, but at the moment I would say it is too early to give you a definitive feedback.

Rishabh C: Sure. So by September, how much do you see this reduction happen and any cost benefits?

Raj Shankar: Overall, we are looking at GST businesses in four buckets. One is, we are expecting that certain businesses and logistics, particularly transportation is expected to scale up significantly over time. So this would be a definite step up to the business though I must confess, that transportation, in terms of profitability will be lower, but there is a high potential in terms of scale. Second, in terms of the cost we are clearly seeing that there would be a cost reduction purely because we will be able to consolidate much better than we are doing today and we are also hoping that through this efficiency wherein there is a reduction of 20% to 40% in the time taken from point A to point B, there will definitely be a cost reduction as well. I am unable to quantify it clearly at this stage, but we certainly see a reduction there as well.

Rishabh C: There has been a sharp decline in your working capital days in the overseas business, so what is the reason for this drop in working capital and is this sustainable going forward?

Raj Shankar: Yes, there has been a sharp decrease and I just want to jog your memory that this was true for the previous two to three quarters, so it has been rather consistent though I must confess at 36 days net working capital, which represents about 10 working capital turns is a little too good to be true. On a steady state, like I have already said at a consolidated level, we expect that to be around 47-48 days. Now, to your question as to what had led to this - while IT in terms of working capital was well managed; the sharper decrease also was attributed to the mobility business, the smart phone business from Samsung, but more importantly on Apple, which did very well for us and therefore that had helped us to significantly reduce the working capital.

Rishabh C: If you have seen a 6% kind of decline in your India business and an 8% growth in your overseas business, how do you see FY18 and FY19 kind of growth momentum panning out? Do you see overseas business outgrowing the India business in this financial year?

Raj Shankar: As far as India business is concerned, like I said Q1 and Q2 obviously is more essentially on account of GST and hence is more an aberration. We expect to see recovery in Q3 and once again see stronger recovery in Q4, so it is a matter of just one or two quarters and then I think we should very quickly bounce back to the business, to a stronger business in India. As far as overseas is concerned, the growth so far has been modest on the topline, so that is something that we expect it to continue. For us, as you would see on the overseas, the focus is more on working capital management and as well as on the bottom-line, so on both whether it is the preceding two quarters or whether it is the last quarter so far it has done well for us.

Rishabh C: Sure and Sir, you have close to Rs.2,470 Crores of working capital in the overseas business. What is the debt in this?

Raj Shankar: When you look at our net debt, for the quarter gone by, it was approximately 0.15 debt to $1 of equity. So roughly, about Rs. 2110 Crores is the net worth and the net debt is Rs. 230 Crores

Rishabh C: Great, thanks!

Moderator: Thank you. We take the next question from the line of Narottam Garg from CWC Advisors. Please go ahead.

Narottam Garg: Thanks for taking my question. You had mentioned at the beginning of the call that you see significant opportunities in the transportation business for ProConnect, so what is the exact business opportunity that you are seeing there and how large can this business potentially become because from what I understand, transportation right now is a small part of ProConnect, so what has changed post GST and how do you see this business panning out?

Raj Shankar: The essential point that we are looking at, in the way forward is when more and more of the manufacturers and the other customers start to consolidate in the post GST era, transportation would play a very key role in being able to take products to different parts of India. In the past, there were limitations because of the multi-tax regime, so given that there is a single tax, therefore we see this to be a big advantage for most vendors and most customers for warehouse consolidation, which obviously brings in a huge business opportunity for transportation. This is one. So you are right that today, the transportation business contributes to a much smaller revenue or contribution compared to what we think in the way forward. However, I just want to draw your attention to the fact the reason I am saying this again is that the margin in the transportation business will be obviously lower compared to the margin that you have in the rest of the logistics business, be it warehousing or be it last mile delivery etc., but we certainly see a significant scale there.

Narottam Garg: So what is the business model you are pursuing? Are you aggregating unorganized truck operators and bringing them to a common platform?

Raj Shankar: Great. So, there are two things that we see here. In the past, our focus has essentially been on what we call the FTL, which is the Full Truck Load, but now we are seeing that there is going to be a lot of these small cargos where the margins are better, where the opportunity is also much bigger and then we can consolidate it. This is what we call as the express delivery and we clearly see this as a significant uplift to the transportation business.

Narottam Garg: But the business model remains aggregation of the unorganized truck operators, right?

Raj Shankar: Absolutely, so that we will continue. What we are trying to do is we are also trying to see how to bring in some apps that allows us to be able to do this aggregation and consolidation. So in other words, our model continues to be keeping it capital light, at the same time, we want to make sure that these leased trucks are by and large dedicated for our purpose, our business and our cost and this we are trying to do where we are now in the process of as I said developing these apps, which is going to become definitely an important catalyst to this business.

Narottam Garg: Thank you so much, Sir!

Moderator: Thank you. We take the next question from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: Thanks for giving me an opportunity. Mr. Raj Shankar, my first question relates to the GST impact in the overall demand market, you generally share with us what has been the PC growth, what has been Redington's growth versus the industry, some colour over there both in India and overseas market would help us in terms of understanding. Secondly, this destocking as you mentioned, that is more with respect to SME segment. What has been the feeler with respect to the enterprise segment?

Raj Shankar: So your first question is about Redington growth on the PC sector versus industry growth?

Priya Rohira: That is right.

Raj Shankar: Good. So in India for last quarter, that is Q1 FY18, the PC degrowth was 18.5%, that is, from close to 2 million units, it had dropped to 1.7 million units. As far as Redington is concerned, our degrowth was lower at 12.5%. As far as outside India is concerned, on the Middle East, Turkey, Africa region, the de-growth in PCs was 8%; however, for last quarter our degrowth was 14%. This essentially happened on account of the addition of distributors in two brands - one in UAE and the other, in parts of Africa, which had led to this degrowth, but this is more an aberration that happened for last quarter, but as you would know, Priya, over the last many quarters and many years, Redington has always outperformed the industry as far as PCs, printers and IT is concerned.

Priya P. Rohira: Sure, that is helpful, and more importantly, what has been the feeler with respect to GST more on the enterprise segment because while I understand SMB would have got affected; is there a certain feeler in terms of what gives us the confidence on the capex continuation by these enterprises?

Raj Shankar: On that Priya, our expectation is that GST is not going to be a deterrent. As you correctly said, for the enterprise, we are expecting the replenishment and the refresh to happen. At the moment, obviously because of GST, there could be other considerations and therefore there is a bit of a slowdown, but in the way forward, we clearly think that both as far as the government is concerned and as far as the corporate enterprise is concerned, we clearly see that this is going to still continue as far as the IT capex is concerned.

Priya Rohira: So this could mean that going forward Q3, Q4 would see acceleration in the pent up demand on overall basis?

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Raj Shankar: We are clearly of that opinion. As I said Q1 and Q2 there would be a slowdown, Q3 there would be a recovery, Q4 stronger recovery and beyond that we are clearly saying it is only going to be a huge positive.

Priya Rohira: Sure and just a small follow-up with respect to the GST. Would it be fair to say that the mobility business in India took a little higher brunt on account of this GST transition?

Raj Shankar: Absolutely, I think you are bang on, Priya. So you are right, the drop in business on account of GST was very conspicuous as far as mobility is concerned and that continues also to a certain extent in July, but like I said all this will settle down. One of the important things where I think we are expecting a huge positive for us is earlier, there was a big arbitrage going on because of different taxes in different locations, so products would be bought in a low tax regime and then going to other locations and so on. Now, whether it was driven and done by the E-commerce players or whether it was done by the market players, does not matter. Now it is a level playing field and therefore this is where companies like Redington, who have got a huge distribution prowess, have got a good efficient engine running. We are going to be immensely benefited because of this, so I am looking forward to the subsequent quarters seriously deriving benefits on account of this GST.

Priya Rohira: Sure, that is helpful and just as a last point in terms of the forex impact, Turkey has, for the past few quarters, been a little muted in terms of performance. Is it possible to share what would have been the extreme impact in this quarter, both on META and Turkey separately?

Raj Shankar: Good, Priya. So, I do not have the specific numbers readily, but I will share with you at a high level. Number one, the revenue degrowth to the best of my recollection was close to about 15% to 18%, the profit degrowth unfortunately was close to 85%, so you can imagine Priya that if overseas has grown profits by 21% at a time when the currency impact was even more, so which means our profit growth in dollar terms was much more, but because the rupee appreciated, there was a negative impact on profits by about 2.5%-3% and therefore even in spite of Turkey's significant degrowth on bottom-line, the overseas business still grew by 21%.

Priya Rohira: Sure, that is helpful. Just wanted an update on the cloud business in terms of where have you seen the momentum or which products have more signups, which you have entered this quarter?

Raj Shankar: At the moment, we are busy collecting awards, Priya, in lighter vein and as they say truth is said in zest, seriously we have been attending various conferences - The World Partner Conference of IBM and Oracle and VMware and everyone is giving us awards genuinely for the kind of work that we have done on the cloud, but here is the good news. I hope I am getting this right. On May 21, 2017, the company launched their cloud portal, in the next quarter Redington will be launching their services portal as well, so which means we will start to really position ourselves as a managed service provider in addition to reselling the cloud products and as we speak, we are already offering some basic services on the cloud, which includes technical support 24/7, so it is absolutely something that we are delighted, but it is still early days as far as cloud is concerned as you will agree, but we are making some big strides on the cloud. We participate across all platforms, be it Microsoft Azure, be it Amazon Web Services, be it IBM Bluemix, so we have got everything onboard and cloud is growing, of course, it has a low base but it has grown significantly last quarter and the way forward should only look much better.

Priya Rohira: Sure, that is helpful and pardon me if I can take one more question. In terms of your ETG experience on GST, would you say that July was better than June or maybe the last 10-15 days of June would have been a hiccup as compared to first 15 days of July and if maybe the last 10 days of July were better?

Raj Shankar: You are now talking about July, Priya?

Priya P. Rohira: GST got effected on July 1, 2017 right, what I am trying to say is whether the first 10-15 days would have had a very slow start and then the momentum would have picked up? I am just trying to understand the experience in the month of July.

Raj Shankar: Yes, you are right, Priya, there was a lot of hiccups in the first couple of weeks. Things are slightly looking better but it is still early days and it will be a little unfair to come to sort of a definitive conclusion, but I must confess that there is improvement and things are getting better, but it is still long way to go.

Priya P. Rohira: That is helpful. Thank you so much and wish you all the best.

Moderator: Thank you. We take the next question from the line of Nitin Padmanabhan. Please go ahead.

Nitin Padmanabhan: Thanks for taking my question. Sir, because of GST there has been some impact on the lease of vehicles, with apparently the overall lease cost being as much as 43% higher. I was just wondering are you seeing any sort of hiccups from a ProConnect perspective in terms of leasing vehicles or the leased vehicles that you hire at this point in time that is impacting business or any thoughts there?

Raj Shankar: Nitin, I am afraid I do not have a sharp answer to that question. I am not aware about sharp conspicuous increase in lease cost. Can I check and then probably have this replied to you offline? I am afraid I do not have a clear answer for you.

Nitin Padmanabhan: Sure, absolutely, and just one last question if I may. In the Analyst Day, you had towards the end highlighted that you were looking at specific corporate actions in the overseas business or let us say any changes to assets or some sort of changes that you are looking at to create value. What were you referring to, if you could shed a little more light there?

Raj Shankar: At the moment, there is no feedback to give you, Nitin, on that score. There is nothing tangible or definitive that I can give you, as it is still work in progress.

Nitin Padmanabhan: Thank you so much. That is all from my side.

Moderator: Thank you. We take the next question from the line of Saurabh Lodha, Individual Investor. Please go ahead.

Saurabh Lodha: I have two questions, and the first question is that in next one month Jio is going to launch Jio feature phone and they are thinking of basically getting around 5 Crores customers in next one or two years, so my question is would we be able to get a pie of it in terms of distribution opportunity, and second question is with regard to some news coming in the newspaper that HCL Infosystems is in talks with Apple in terms of becoming a distributor of Apple products in India, so if that were to happen how would it impact our company sales because Apple basically accounts for 25% share in terms of vendor, it is the most important vendor for our company, if you can answer these two questions please?

Raj Shankar: Sure. So on the first, we have got a clear mobility strategy. Our whole approach has been that while we seem to be biased towards global and multinational vendors, whether it is Apple, Google, etc., we clearly want to make sure that we participate across platforms that is, iOS, Android, etc. We want to be in the mid to high, we do not intend to be in the mid to low. So to that extent, this particular opportunity that you are talking about does not fit into our mobility strategy in the way forward, so this is not therefore an opportunity we would pursue. We also want to make sure that overall our mobility business contributes to about not more than a third of the total business, so we just want to make sure that we stay within these boundaries. With regard to HCL Info, I can only tell you what is probably known in the public domain, so the first is what we understand is that there is a discussion going on, there is an NDA that has been signed and an RFP that was floated, but this is essentially for the enterprise business. HCL had participated in that and the commercial terms are still under discussion and because an NDA has been signed at this stage, there is nothing more that they have been able to say nor is it commented by the vendor, but our own view is that Redington is extremely well positioned with regard to distribution of iPhone both in the general trade, which is where we participate as also the enterprise space, but I must mention here the enterprise piece of the business is about 10% to 15%, so even if there is an addition of another distributor it is still going to be within this 10% to 15% pie and therefore to that extent, the 85% to 90% will continue to be addressed by the existing distributors. So it will not have any negative or detrimental impact to Redington

Saurabh Lodha: Thank you, Sir, for your reply. That is it from my side.

Moderator: Thank you. We take the next question from the line of Narottam Garg from CWC Advisors.

Narottam Garg: Thank you for taking a follow-up question. I just wanted to understand your vision for the ProConnect business. What are the specific customer segments that you are targeting, because from what I understand is that this business requires a lot of scale and right now we are at a very nascent stage, so what are we exactly trying to achieve? Are we trying to build a significant scale or are we targeting specific customer segments?

Raj Shankar: So just to share with you first, in terms of the number of customers that we are addressing today, it has increased by close to 20% in the last one quarter, to about 145 customers and ticking. Now, this cuts across close to about 12 to 14 industry verticals starting from IT, FMCG, Telecom, Electrical, Electronics, Pharma, Engineering, etc., so we want to make sure that we are able to participate across all industry verticals. So our clear strategy is we want to play into all segments of logistics starting from the warehouse management or the freight forwarding, the line haul, the warehouse management services, delivery to last mile, reverse logistics, value added services, etc. We want to make sure we participate in every piece of this opportunity plus the e-commerce business is something that also does a lot of good to us. In fact, I am very proud to share that notwithstanding whether the top three players in the E-com space, they continue to engage ProConnect to be able to manage their fulfillment centers and serve their customers, so to that extent that is another opportunity as that space continues to grow, we will continue to also participate and grow that piece of the action. So summary comment, we want to position ourselves as an integrated logistic player participating in every segment of the logistics business. Our warehouse management services is the mainstay so far, that as you know, about four years ago, the warehousing space has increased from 1.2 million square feet to currently at about 4.9 million square feet, which is almost about four times in the last four-and-a-half years. We will continue to play the transportation business, but continue to keep it asset light and last but not the least we want to make sure we participate across all industry verticals though there are biases towards certain particular industries, be it FMCG, Pharma and so on.

Narottam Garg: Got it and just wanted to understand in terms of scale, how are we positioned in each of these verticals, which is warehousing, transportation vis-à-vis the current incumbents?

Raj Shankar: Just to give you a rough and ready sense about 60% plus of the business comes out of warehouse management services, roughly about 20% to 25% comes out of transportation and the balance comes out of all other services that we provide. In the way forward, we think now there will be many other aspects that we will be doing, warehouse management may continue to contribute about 40% to 50%, but we will be getting into many other areas including the value added services, which will make it more interesting. As I said, transportation will scale up significantly and we are also trying to develop in terms of like I said, on the e-com this is an area where we have had a very clear and a significant growth, well engaged with all the leading players, so you will see a growth in every single segment, every industry though there are biases on E-com, Pharma and FMCG and overall I think I made sort of an open statement or a commitment to say ProConnect in the next five years will grow three times in terms of top and bottom-line, we continue to stay on course on that plan.

Narottam Garg: Got it. Thank you so much, Sir!

Moderator: Thank you. Well that was the last question I now hand the floor over to Mr. Nitin Padmanabhan for his closing comments. Over to you, Sir!

Nitin Padmanabhan: Thank you Janice for moderating the call. I would like to thank the Redington Management for the opportunity. Thank you all for joining in and have a great evening.

Raj Shankar: Thank you Nitin and thanks to everyone again who participated on the call. We are glad that in spite of the GST impact, which was a deterrent in the last quarter we have still managed to grow the topline by 2.5% and the bottom-line by 5.5%. We are extremely well poised in terms of continuing this good performance on the overseas and this quarter we hope that the GST situation slowly corrects itself so that starting Q3-Q4 we should start seeing recovery and once again a very strong growth in the way forward. Thank you very much to all.

Moderator: Thank you. Ladies and gentlemen, on behalf of Investec Capital Services we conclude today's conference. Thank you for joining us. You may now disconnect your lines.

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