

August 18, 2020

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

Dear Sir/Madam,

**Sub: Q1 - FY 2021 - Earnings Conference call transcript**

This is further to our letter intimating the details of Investor/Analyst call on the unaudited financial results for the quarter ended June 30, 2020 held on August 13, 2020.

In this regard, we are enclosing herewith the transcript of Conference Call hosted on August 13, 2020. The same will also be available in the Company's website <https://redingtongroup.com/>

Kindly acknowledge the receipt of our communication.

Thanking you,

Very Truly Yours,

M. Muthukumarasamy  
Company Secretary

Cc: BSE Limited  
Floor 25, Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400 001.



## **Redington (India) Ltd**

Q1 FY 2021 Results

Conference Call

**Aug 13<sup>th</sup>, 2020**



**MANAGEMENT :** **MR. RAJ SHANKAR – MANAGING DIRECTOR**  
**MR. S V KRISHNAN –WHOLE TIME DIRECTOR & CFO**  
**MS. SOWMIYA M – SENIOR MANAGER, INVESTOR RELATIONS**

**Moderator:**

Ladies and gentlemen, good day and welcome to Redington India Limited Q1FY21 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks 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. Raj Shankar, Managing Director, Redington India Limited. Thank you and over to you, Sir!

**Raj Shankar:**

Thank you Faizan. Good evening to one and all. Thank you for joining us on this Redington's Earnings call presentation. This is for our Q1FY21. At the outset, I hope and I pray that all of you joining on this call, you and your family are safe and I would also like to share with you that as far as Redington and its families are concerned, to a large part, things have been under control. There have been some instances of COVID cases, but the good news is they are all under control and the number of instances is also very less compared to what it was a couple of months ago.

So with regard to our first quarter in spite of the fact that we had lockdown, as you would recall, in India, from the March 25, 2020 to almost the May 4, 2020 and then there was a partial lockdown in different cities and through May and to some extent, also through June. So, we did not have a full quarter to play with and the situation was no different as far as the overseas markets are concerned. Just wanted to share with you that if you look at a few

of the markets like Saudi Arabia, where out of the total 60 days, we had close to 51 days where there was complete lockdown and there was a partial easing of this lockdown from June 21, 2020.

Similarly, when you look at UAE, out of the total 60 days, we had almost 25% of the time when there was complete lockdown, and then things started to ease a little bit starting June 20, 2020. So we had different challenges in different markets and if you take Kuwait, for example, the total number of working days itself was just 23 days for last quarter and if you look at the total number of calendar days that was on lockdown was 39 days. I am only trying to share with you that we had extremely difficult and challenging circumstances, some of which I alluded to in my previous conversation. However, I must tell you to the entire credit of the amazing Redingtonian team, they put in amazing work, they went beyond their call of duty and were able to deliver good set of results, which I am going to share with you. Honestly, I want to really, really give a big kudos on this earnings call to our winning Redington team.

On the consolidated basis, if you look at our revenue, we degrew by 8%. Our EBITDA degrew by 6%. Our profit before tax by 11% and profit after tax, degrew by 19%. But if for a minute, you just double-click only on the distribution part of the business, globally, we degrew by 8%, but the EBITDA for distribution business grew by 1%, from a profit after tax perspective, it degrew by 5%. Now when you, again, focus on India and again, look at the India distribution part of the business, our revenue degrowth was 16% in spite of the fact that effectively, we had only 50-55 days to do our business, and our distribution EBITDA degrew by 24% and our profit after tax by 25%.

Now when you look at overseas, overall, which includes Middle East, Turkey, Africa (META) and Singapore & South Asia (SSA), the revenue degrew by 4%, but EBITDA grew by 17%, PBT grew by 20%, while profit after tax degrew by 3%. This is essentially on account of the effective tax rate in Turkey being 43% as against 20% income tax in local currency. Also, the contribution and the performance of Turkey, particularly for last quarter, in terms of profit contribution was much higher than in the past and hence, profit after tax, after the non-controlling interest (NCI) has degrown by 3%.

However, on a constant currency basis, the overseas revenue degrew by 11%, but EBITDA grew by 7%. Profit before tax grew by 10%, whereas on profit after tax for reasons that I just explained, which is to do with the higher effective tax rate in Turkey and the higher profit contribution from Arena in Turkey, therefore, the profit after tax degrew by 11%. Overall, when you look at in terms of the contribution of revenue and profit from overseas, it was 68% and 76%, respectively. Now when you look at business verticals, IT overall degrew by 7% and Mobility degrew by 11%. Services, which are essentially here ProConnect and Ensure degrew by 20%. But I hasten to add here that Ensure services in India has been divested on the July 31, 2020. However, it was considered as a part of this P&L for Q1FY21

In terms of the overall mobility business, which was very strong in India, degrowth in mobility business was 8%, overseas degrew by 4%, resulting in a degrowth of 11% at a consolidated level. What is very gratifying is the fact that we were able to achieve an all-time lowest working capital in the history of Redington. We were able to contain the total working capital base at a consolidated level to 17 days with India contributing to 12 days, whilst overseas contributing to 19 days. This is also very largely on account of our ability to get

extended supplier credit during this period and also the fact that we made sure that there was very smart ordering such that whatever was ordered was received and sold immediately rather than keeping it in inventory.

Our cash flow was aided by the fact that our collections were at all-time best, which was unexpected. This is something that I also mentioned in a couple of my calls earlier but trust me that the kind of effort and outcome that we have been able to achieve about collections is absolutely mind-boggling. In the month of June, which recorded the highest sale out of the three months in Q1FY21, across all the theaters of India, META and SSA, we were able to collect more than what we sold in a full quarter in spite of the fact that we had a very solid sales in the month of June. But again, that was largely on the back of pent up demand and that may not be sustainable, particularly the way June has played out for us.

Now when you look at some of the markets where I feel extremely happy and proud is the fact that when you look at UAE, the PC market, from an industry standpoint, degrew by 10%, but we grew by 29%. Similarly, in Saudi Arabia, where the industry grew by 8%, we were able to grow almost 25%. In Turkey, industry grew by 42%, whereas we grew by a whopping 78%. So as all of you would know, the work from home definitely gave a big impetus to the IT Consumer business, especially the laptops and so on and we had an incredible performance in this quarter

As we move on to the next topic of cash flow, our ability to manage working capital very well has led to generation of positive free cash flow at a consolidated level of Rs.2,332 Crores with about Rs.1,132 Crores coming from India and Rs.1,200 Crores from Overseas. I cannot think of any other quarter in the history of Redington, where in one quarter, we were able to mop up so much of free cash. Also,

we were focused on making sure that we had adequacy of cash flow and therefore, we had a lot of cash, which was kept in deposits, not knowing whether this liquidity problem could completely get squeezed and therefore our ability to borrow money will get constrained. Despite all of that, I am pleased to share with you that our return on capital employed for this quarter was 20.6%, with India contributing to 19.1% and Overseas contributing to 21.4%.

At a consolidated level, Gross debt to equity ratio was 0.44. However, when you look at net debt, net of cash to equity, it was negative 0.45. In fact, we felt this is again one of those quarters where we had literally negative debt, so which means we were sitting on cash, and our cash position was far greater than the our borrowings. In terms of provision, which is another important aspect to look at, some of us were concerned, whether during this period, whether the inventory will go into ageing, and whether we will be able to sell and realize our margins. I am pleased to share with you that for Q1FY21, our inventory charge at a consolidated level was 0.05%, with 0.10% coming from India and 0.03% from Overseas. Likewise, when you look at the provision towards bad and doubtful debt, it was 0.07% at consolidated level, with 0.10% coming from India and 0.05% from Overseas.

So, it has been a great quarter and many good things have happened. I also must tell you as far as ProConnect is concerned, while at an EBITDA level, they have generated profit but at PAT level, they have a loss of Rs.4.5 Crores. This is essentially because of on one hand, we could only operate at 65% to 70% of the normal business because of the lockdown and despite that, we managed to really cut down on our expenses. This is something that worked very well both for the distribution business as well as for ProConnect in particular that allowed us to be able to generate an operating profit. At the PAT level, like I said, we have made a loss in

ProConnect that is largely on account of the interest cost having gone up.

We had a very good performance by Turkey, where they grew profits revenue by 72%, and the EBITDA grew by a whopping 152%.

In terms of the overall performance or the overall feedback that I wish to give you in summary is as follows. Now if one were to look at the trend in July and what we have been able to deliver across, I believe that a good part of this momentum is something that we are seeing. There are, of course, some headwinds because not all markets are operating without restrictions. But I think to the credit of our team, they have been able to handle this and navigate this pandemic. In fact, it has taught us a lot more things than before the pandemic. In some ways, it has been a great lesson to us in the way the team has been able to navigate.

So, in conclusion, I would say it was a good quarter where despite all odds, we managed to deliver decent set of numbers in terms of Revenue, EBITDA and PAT. Overseas did an incredible job. India did well. There has been a working capital reduction, which has been phenomenal and there has been a lot of positive free cash flow. In the case of ProConnect, while it may have registered a loss, we are putting many corrections in place and it is certainly on the path to recovery. I will take a pause here and hand it over for any questions. Thank you.

**Moderator**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.

**Pavan Ahluwalia:**

Thanks very much. Just a couple of questions. One, I think we have discussed on the last one or two calls is about the competitive



environment in India. So would love to get any sort of updates on that. Based on what we can tell from your competitors' balance sheet other than obviously Ingram Micro and maybe one of the other large competitor, we can see that the the mid-tier of competitors is highly stretched financially and I am not sure what a bank's appetite is to extend credit to these companies. Having said that, they exist for a reason, which is that they tap into a base of dealers to whom they extend credit to but for some reason you and Ingram Micro have not extended credit to these set of dealers so far. Is it fair to say then that the competitive structure of the industry is the way it is because you and Ingram Micro just do not want to deal with a certain set of people? And, does this impact your ability to increase market share? Is it possible that there, in a tight situation financially, at a better price, you may be willing to extend credit to these set of dealers? So, I would love to get an update on that.

The second question is, could you give us some sense of the impact of the Indian government's actions on "Atmanirbhar Bharat" and the equation with China? Is it possible to pull out on all Chinese mobile phone brands? What are the implications for our business? And are there any updates on possibility of adding Samsung, who is obviously one big potential winner in the current scenario? I was wondering if there is any sort of evolution on that front.

**Raj Shankar:**

Pavan, thank you for your question. So this is what I keep telling my sales team all the time. It is not that we do not offer credit. We do offer credit and you know that typically our credit period is anywhere around 45 to 50 days and sometimes even more. So first, I just want to share with you that we do take credit risk. Now there are two aspects to us when we extend credit. One, to the large extent possible, we would like to have it credit insured. Now we do not want to take an undue risk for a small return and God forbid, if

there is a default, it puts us in a bad place. So, what's important for us is our ability to give credit and have it credit insured, and discipline about payment is most important. If we find that the customer has a behavior to delay payment then we will withhold or restrict credit given to that partner and we will deal only in cash with that partner

So summary, we do extend credit. We are very clear in terms of trying to make sure that we get it credit insured to the maximum extent possible. Also, we want to make sure that the discipline of the payment is not compromised and if it is, we will only deal with cash. This is something that we have demonstrated over time. Otherwise, Pavan, the very reason that we are able to mobilize more collection than our sales is only because we give credit and that our partners know that they must pay on time

**Pavan Ahluwalia:**

I understand that you have certain standards and these standards are there for good reason, and we have all seen how valuable they are in the last few months. Given that you have these standards, is it possible for you to increase market share? Since you and Ingram Micro follow these standards, is it possible for the market to pretty much saturated at the levels you operate?

**Raj Shankar:**

Okay. So for us, it is very important that we take an approach. We are not necessarily driving market share. While that is something that we are focused, but that is not our end goal. What is important for us is to make sure now that our margin is something that we want to secure. So, while on one hand, we extend credit, your point is very valid. We do that all the time. We have a concept of direct to retail, where we go and give credit to smaller dealers and partners. While doing that, we want to make sure we are earning more margins for the risk we are taking. If that is there, we would still take that risk, but if the margin is not commensurate for the risk we

take, we would rather shy away and not be focused on improving the market share. If that explains, Pavan, I can go to the next question

**Pavan Ahluwalia:**

Yes, just to understand what you are saying correctly, the long tail of competition is stressed financially, i.e., your competitors, and the hope would be that the people that are currently working with them will come and work with you on your terms.

**Raj Shankar:**

Absolutely. Also, we would go and work with them, provided I am making that additional margin that justifies giving them that additional credit risk. In some of these cases, the insurance company may or may not be willing to insure. So, the risk is on our balance sheet and we want to be, therefore, playing a better safe-than-sorry approach.

Now about your other question, I will put it this way. The standoff/tensions between India and China has minimal impact to Redington. This is essentially for two to three reasons. Firstly, you would be aware that in India, close to 82% to 84% of the purchases that we do are rupee denominated. So, in other words, we are not importing the products from China or any other place. We can have the vendors, including all the big global names bill to us in the Indian Rupee. So, in a way of speaking, the whole tension of having to mobilize the products and bring it into India is on the shoulders of the vendor. Secondly, more and more of these vendors, as you would also know, have clearly shifted their production and manufacturing base into India and they are trying to increase their capacity. So, overtime, I am only seeing this as a positive and not as a negative with more and more manufacturing happening locally. The third at best, if there has been an impact, I would say it is more to do with a little bit of supply-related, where we could not get in enough quantities that we would have liked. To that extent, yes,

there could have been supply chain disruption. But otherwise, honestly, it is very minimal. It has been for us, to a large part business as usual. On the contrary, I would also argue that for certain brands and products, it has been an advantage for us in the fact that it has helped us to be able to accelerate our sales in some of the other global MNC brands and products

**Pavan Ahluwalia:** Thank you.

**Moderator:** Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:** Congratulations on the great set of numbers. I just had a couple of questions. In this lockdown, obviously, all of us were rushing to pick up extra laptops for employees and for our children because of Work from home/Learn from home. So, is there a degree of the pent-up demand impact, which you are seeing in this quarter or do you expect these trends to last beyond that?

**Raj Shankar:** So for Q1FY21, I would agree with you to a certain extent that the sales that we did, particularly on products like PCs was influenced by the pent-up demand and the demand when people are adopting the work from home as a business model. But as we now investigate the way forward, I would not say all of it but some of these is becoming now a sustainable demand. It is not something, which is only peculiar or unique to Q1. We are seeing that on certain product categories like PCs, etc, there is a continued momentum and traction. I do not know whether that pent-up demand is something that is getting fulfilled and served even now. But if I must go by July and the first two weeks of August, I would like to believe, to some extent, the momentum is continuing. I also want to confess that there are some product categories like printers, where the sales have slowed down.

**Riddhesh Gandhi:** Got it, understood. The other question was in the case of overseas markets. You had mentioned that some of these markets like Saudi Arabia, Dubai etc, were closed for most of the quarter. Did that imply online sales were also closed or this impact was only on offline stores and online sales actually helped in compensating it? How should we think about it?

**Raj Shankar:** Okay. Truth be told, a good part of sales happened in the month of June and that is when things opened up. A large part of it is the pent-up demand that was getting served in June. I also want to share with you that effective July 1, 2020 in Saudi Arabia, the VAT has got increased from 5% to 15% and as you can imagine, there was a huge, therefore, opportunity for us to be able to push the product as much as possible and maximize sales in the month of June. So that also sort of gave a tailwind for us to be able to push up the numbers. So in spite of the fact that if you go by the number of days and the business that we have done, they do not seem to correlate well, but these are some additional reasons why we were able to pick up on the sales.

**Riddhesh Gandhi:** Got it and Sir, last question was, as the cloud adoption has increased the pace significantly, do you foresee any potential headwinds for some of your hardware business, etc? Are you also seeing some increased uptick in demand from Enterprise side, as they are adopting to the work from home?

**Raj Shankar:** So, in terms of cloud and in terms of security, cybersecurity software, these are very clear technology practices where we are seeing a good traction. In fact, on cloud and a few other product categories, we are growing every month. We are growing double digits in terms of revenue and there is a good traction. But it doesn't mean that this growth in cloud, security, software and services, is impacting the hardware business. Overall, I must mention that there

has been enterprise part of the business and more importantly the SMB part of the business is looking a little soft. We tend to think that should improve over time. But for now, that is looking a little soft. The momentum and the real tailwind are coming out of the Consumer side of things, be it IT Consumer and Mobility. That is what is driving a good part of the sales as far as India is concerned. As far as overseas is concerned, our enterprise business, which continues to be doing well, also aided by the fact that our IT consumer business has done well. If at all, in the case of Overseas, the mobility business had slowed down a little bit.

**Riddhesh Gandhi:** Great and congratulations. I will just join the queue back.

**Moderator:** Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

**Vivek Ramakrishnan:** Sir, I have two questions. One is that the net working capital days has been astoundingly low. As the business picks up and you start paying off your suppliers, would you expect it to go up and where will it normalize? Second is a business question. In terms of the resilience of this business, it seems to be strong in the sense that there has been some demand slowdown in some segments, which is pointed out. But it seems to be quite resilient and you are saying that the trend has been seen in even July and into August as well. Is this because it is mainly done by the e-commerce channel and that is making it safer to shop? We just got done with calls of retail businesses and they seem to have done badly. So, I wanted the answers for both. Thank you.

**Raj Shankar:** Thank you, Vivek, for your questions. So, on the first point regarding working capital. 17 days of net working capital is a dream figure. But you are right that this was certainly aided by getting good supplier credit period. At a consolidated level, it was 69 days for Q1FY21 in

terms of creditor days, which, when you compare it with Q1FY20, it was 39 days. So, you can imagine a 30-day increase in supplier credit is a big boon to keeping your working capital under check and control. Now to your point, whether this is something that would normalize itself once the suppliers start to pull back on the extended credit and they also give the normal credit. The answer is yes and therefore, starting this quarter, it should normalize itself and you would recall that in one of my earlier calls, I had also mentioned that what one should expect as what we believe is a good working capital days in our business is somewhere in the vicinity of about 5 to 5.5 weeks. So, we are talking about something in the range of about 37 to 40 days. So over time, you would see that it will start to settle down at those kinds of range. If that answers your question on working capital, to your other point about Go To Market (GTM). Contrary to what people think, while the online business has aided our sales in India and to a limited extent overseas, it has been the traditional dealer channel as well as the retail channel, which has really done well for us. What really happened in some of these markets is that even some of the large retailers have their own online portal. So, these retailer were able to offer to their customers a shopping experience if the customer would walk into that shop. If the customer was not willing to walk to that shop, but has always purchased from them in the past, then they were able to give them some kind of online portal where the customer could go and place the order and the delivery would happen at their doorstep. So, in addition to their own brick-and-mortar retail, they have also started the e-tail, which allows them to be able to do this. So this is a trend that we are seeing that more and more of the retailers are offering this as a SOP for consumers who are not able to come to them instead of going to some of the other traditional online companies, to come to them to do the business. So that is what is helping us. I do not know, Vivek, if that answers your question.

- Vivek Ramakrishnan:** It answers very well. Thank you, very much and good luck, Sir.
- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** Good evening. Congratulations on a very strong quarter. Sir, a couple of questions. So one is, I think sometime in Q4, you basically expected that there will be a very sharp drop in revenues in India and I think before the last quarter results, you had assumed almost a 40% drop in revenues in India but you felt it would be lower by the time we discussed Q4 results. However, I think the actual drop in revenues has been far lower than what you had anticipated. If we were to summarize the reason for the surprise, I think it was on account of a strong June quarter led by higher than expected PC and laptop sales. Would that be a fair assumption?
- Raj Shankar:** I would put Mobility on the top. In fact, what has really helped us in India was the Mobility business followed by the PC business. So, I would put smartphones (Mobility) as the one that has really grown quite nicely for us. That also helped us to manage our working capital very well and of course, following that, we had the laptop business as well do well for us.
- Nitin Padmanabhan:** Sure and Sir, if you look at the trends in July and August, do you see that the trend that you have seen in June sort of holds in terms of continued spend by consumers or are you seeing an uptick from the enterprise side as well?
- Raj Shankar:** So, the momentum is on the in the consumer part of the business. We are also seeing traction on the enterprise, but gradually, and it is on the uptick
- Nitin Padmanabhan:** I just have two more questions. One, conceptually with a lot of Make in India happening, obviously, the customs duty goes away.



Do you think the increase in volumes will sort of offset the revenue drop there relatively or do you think the portfolio that is being made from India is still just a fraction of the overall pie and thereby, it is not a headwind to growth at least for some time?

**Raj Shankar:**

So, let me break this up into two parts. If it is mobility, there are a number of models that are currently manufactured in India and my own sense tells me that when you manufacture in India, you would be price competitive. When the prices tend to be very competitive, this should make the product more affordable and this should definitely help to increase sales. As far as IT consumer is concerned, it is again a big advantage to be able to have a faster turnaround time when the products are manufactured locally. It also definitely makes the price that much more competitive. So overall, I would say, price competitiveness, and hence that would lead into increase in sales would be the key point and to your last point, whether it is a fraction and all of that, I believe that it will start to become significant. Today, it may not be significant, but over time, I am expecting this to become significant.

**Nitin Padmanabhan:**

And, Sir, my last question was around Ensure. So obviously, we have divested the India business and we do Ensure business in overseas as well. So, I was just wondering what your thoughts were on that business and what is the revenue and margin profile there is as of today?

**Raj Shankar:**

Okay. So fundamentally, the break fix business or the repair services business or what you call the warranty and extended warranty business is not something which is core and it is not something which is strategic to Redington. So we will, therefore, either find ways to unlock value like we have done in India or we will try and redefine/reconfigure the business, so that I think as I have

mentioned in the past, we will then want to move up the services value chain rather than limiting ourselves only to the repair services

**Nitin Padmanabhan:** Fair enough. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

**Aditya Bagul:** Good evening, Gentlemen. First, heartiest congratulations for a great set of numbers. I think you have outperformed all our expectations. So, two quick questions. First is, in terms of brand. Is there a change in the narrative from some of the key brands that you have talked about, Apple, etc. What are they seeing? Are they still as optimistic as they were three months ago or has there been a change in terms of narrative? How are they looking at the upcoming festival season? Something on those lines would be helpful. That is part A of the question. The second part of the question is I noticed that there is a small change in terms of your portfolio mix and others has increased by about 3% from 40% to 43%. So, I would like to understand something on that.

**Raj Shankar:** Yes, the narrative with the brand. Okay. So for most of the brands, barring very few, the Q1FY21 was definitely one of degrowth. Interestingly, every one of them strongly believe that this quarter, there will be some catch up and they are expecting like what we had mentioned in the past that Q3FY21 will be a very strong recovery and getting into Q4FY21, being more or less business as usual and so on. So there, the whole narrative is they do not think they can try and make up for loss of revenue in Q1FY21. But they are expecting recovery this quarter and things to start to slowly get back to normal between Q3, Q4 and so on. So, nothing much has changed in terms of our narrative, but one thing is very clear. We are buying only what we are confident to sell. Maybe in the past, there was a little

more optimism that we can somehow sell that may end up being an inventory a little longer. Vendors are also now very clearly understanding that no longer can they also push our distributors to stock the product because everyone wants to manage and deploy their capital wisely. So I would think that is a very big change and they are also cognizant of the fact that since everyone is facing revenue degrowth and that everyone wants to make a higher margin. We are driving that through optimization of costs but we are also making sure that the margin should go up. So vendors are not pushing unreasonably for distributors to stock up and that is, therefore, helping us because we buy what we can sell. Also, we are making sure and vendors have realized that our margins must be better than what it was in the past. So, to me, it appears it is a change for the positive, though, now, revenue is less than what one would like it to be. That answers your question, Aditya?

**Aditya Bagul:**

Yes, that is quite helpful. The part B of the question was I think your data point. When I look at one of the slides in your presentation, slide 15, if I am not mistaken. It talks about the revenue contribution from top five vendors. The contribution of others has changed meaningfully, and I went back over the past few quarters and we have not had a change there, so I just wanted to understand a bit there.

**Raj Shankar:**

Aditya, you got me foxed on that point. I do not have a good sharp answer for you. Can I have this checked and can we come back to you, if that is fine with you?

**Aditya Bagul:**

Absolutely, Sir. The first question that I had was on ProConnect. So, we have seen a reasonable amount of recovery. Just wanted to understand what are the steps that we are taking, or we have taken in the last maybe four months or so to ensure that we are coming back to the earlier path.

**Raj Shankar:**

So, I will put it into three broad buckets: Organization restructure, Focus on improving operational efficiency, Pick up contracts where you are confident of making money. Earlier, we were driven a little more by top line, thinking that we will be able to secure bottom line. So that is not something that we are allowing. In the case of Organization restructure, we have brought in a new COO, someone from the industry who has been in the logistics space for a very long time and is a seasoned and experienced individual. He has come on board. So, hoping that would make a big difference and bring about technology changes. Operational efficiency, this is something very important to us and we want to make sure at a time like this, how do we try and get more with less and the third aspect is focus on being frugal on cost. We set out a target, just to be upfront with you. We call that as a Project Agility, which is all about trying to take cost optimization initiatives. For instance, we committed that we will try and reduce cost by Rs.4 Crores in Q1FY21 and I am pleased to share with you that we delivered on that. So a lot of such initiatives are being taken and I am basically feeling good that from where we were this last couple of quarters in ProConnect to where we are now. At an operating level, we are in the money, even though we have been able to operate at 30% less revenues compared to the same quarter last year. So, I think a lot of corrective steps are in place. I don't want to count the chickens as they say before they are hatch. But trust me, we are headed in the right direction.

**Aditya Bagul:**

Thank you so much for these answers and best of luck for the quarters to come.

**Moderator:**

Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss Securities. Please go ahead.

**Pranav Kshatriya:**

Thanks for the opportunity and congratulations for a good quarter. I have three questions. Firstly, can you comment on EBITDA?

Basically, there is a very strong beat in the overseas business, what exactly has contributed to this beat? Is the contribution of Turkey that significant or what has led to this cost decline and how should we see this going forward? Second question is more to do with the trajectory of the revenue. I mean in the COVID call, you said that H1FY21 revenues will be down 15% to 20%. Last quarter, we were talking about expecting Q1FY21 revenues to be down almost 40%, but the results have come far differently than that. So can we say that almost from Q2, we should start possibly seeing recovery in a meaningful way? Can we expect Q3 to be business as usual? Lastly, on the ProConnect business, you answered my question partly, but can we say that the worst is behind and we should be headed for a higher revenue & EBITDA path from the next quarter? Thank you.

**Raj Shankar:**

So, I will take the last one first. In the case of ProConnect, absolutely, you are right, the worst is behind us. Trust me, it will never ever happen again. In terms of the way forward, yes, we will need at least one more quarter because lots of improvements and developments are in place. So, it will take one or at best, two quarters to really put ProConnect, get the fundamentals right and put the company back on a growth trajectory and on a high-performance trajectory. Trust me, the worst is behind us for sure, and we are on a path to recovery. Give it another quarter or two and you will see that ProConnect once again becomes a very valuable business and an asset. I think to your first question, you are very right that Turkey. Actually, over the last five quarters, Turkey has been very consistently performing well and Q1FY21 in particular, as I mentioned to you, not only did they grow their top line significantly, they grew bottom line, I mean EBITDA by a triple digit. So that company is on a roll and every single parameter that we are focused on did very well. Working capital improved substantially and we are on a growth path in terms of revenues. In terms of Market share, we are, today, from being a close third

player to the number one player on several product categories. Our cost has been further optimized and our ROCE particularly for last quarter has improved to over 20%. So, every parameter is looking good and this is not a one-quarter wonder. If you look at over the last few quarters, you can see a steady progress and a very clear, consistent performance. So, a good part of what you saw in overseas. I mean there is some part that is coming from Turkey. But on the other hand, our traditional IT Consumer business, all your PCs and the rest of the peripherals, etc that did particularly well during this last quarter and where the operating profit and everything else was in good shape. So overall, the overseas business has been doing well. And in terms of Mobility business, this is one quarter where we did see a conspicuous slowdown, but that was more than offset by the IT part of the business and we are expecting that the mobility should fall in place and the momentum should build in the coming quarters.

**Pranav Kshatriya:**

How sustainable is the EBITDA for the overseas business in the way forward and what should be the trajectory? This is because we have seen the cost decline as well as decent revenue traction. So just trying to understand that if EBITDA for the overseas business can remain at the current level? Have you done cost cutting, which are likely to sustain, or the costs are going to come back? So that is what I am trying to understand.

**Raj Shankar:**

Sure. So, amongst both India and overseas, I say with a little element of pride, that in overseas, the cost optimization/reduction was more pronounced than India. Almost two-thirds of this cost optimization/reduction is sustainable. There will be some which could be onetime or for a shorter interval, but almost two-thirds is something that would play out for a longer time. So, to that extent, we are becoming cost-efficient in some of the markets. In terms of the sustainability of the current operating profit or EBITDA, the

answer is very highly likely that is how it will be, and we are focused on that. Like I was saying to another question, we are focused on margin. We are driving our cost optimization effectively and we are also managing our working capital well. To me, I see some of these plays out consistently, but to what extent, I am not able to tell you, but these are not onetime measures. There's a good part of that will play out for the rest of the quarter and the year

**Pranav Kshatriya:**

So our degrowth has been a lot lesser than what was anticipated for Q1FY21 as shared during the COVID update call or even the Q4 results call. So how should one see this panning out from Q3FY21 onwards?

**Raj Shankar:**

I want to be a little upfront and be as candid as I can. When this COVID happened and with all the lockdown, honestly, one could never even make an estimate. Everything was just we had to live by the day. So, I did not want to say something and then look very silly saying that how come you did not even realize that you are going to have a setback. So, the way we were telling ourselves, I will be candid. We developed three scenarios - Optimistic, Pessimistic, Probabilistic and each had a particular performance metric and we then said, we do not know what is going to play out, but you know what, we are going to be focused in terms of cost and in terms of capital from a probabilistic point of view. But in terms of sales and margin, we are going to drive it like an optimistic scenario. Honestly, I did not expect that we could execute it so well. We managed to be as frugal as we could in terms of cost and in terms of the top line and margin, I was reasonably happy with what we have been able to do. So do not take me too hard on the 40%, because you would agree with me, it is a difficult call for the first quarter. Now to the other point that I mentioned come by H1, it will be 15% to 20% and so on. Let me answer it this way. I still believe that Q3 onwards, it will be business as usual. There should be a good part of the

recovery that should have set in and we are on a growth mode and of course, Q4, we should be back to our heydays

**Pranav Kshatriya:** Great I think that answers all my questions. Thank you so much for all the candid answers and all the very best for the next quarter.

**Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the line of Shreesti Rastogi from ICICI Prudential Life Insurance. Please go ahead.

**Shreesti Rastogi:** Congratulations on the good set of numbers. Most of my questions are answered. I just want to ask one question to you. So recently, one of the telecom providers said that the smartphone shipment was not good during the quarter but you are hinting that it was good for us. So, I just wondering what was the trend, like month-wise, in the case of Mobility business?

**Raj Shankar:** Okay. So here is what happened. Through the month of April, it was a complete lockdown and honestly, we just could not sell. So, it is not even worth talking about how much we sold because it was pittance. But come May 4, 2020 when things started to open, we could see momentum and honestly, as it moved into June, we had an excellent June. We grew leaps and bounds, and we could serve all GTMs. This is not to say there were no constraints. There were lots of constraints on account of lockdown. But I think to the credit of the team, our logistics team, particularly ProConnect, they did a commendable job in making sure that every single order that we could pick up was executed despite all odds. So, to answer your question, June was absolutely a big month for us when we were able to really serve the market very well. To your next logical question, we are seeing a good part of that momentum, it cannot be as spectacular as June, but a good part of the momentum continued



into June and so far into August as well. Does that give you some clarity?

**Shreesti Rastogi:** Yes, Sir. That is very helpful and just one last question. I do not know if you already answered this. Sir, the Government is giving incentive for manufacturing smartphones in India. Directionally, I know we do not manufacture, but do you see any benefit coming to us?

**Raj Shankar:** I was answering to someone else in a different context. My view is that the by manufacturing in India, if you take smartphones, this is something that is going to make the product that much more competitive because the price will be lower. It is going to, therefore, drive a lot of sales and therefore, manufacturing in India is going to become, for us a big boon. It will definitely help us to be able to scale up our business, so we see it as a big positive.

**Shreesti Rastogi:** Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraint, we will take that as the last question. I would now like to hand the conference over to Mr. Raj Shankar for closing comments.

**Raj Shankar:** Thank you, Faizan. Once again, thanks to everyone for participating in this earnings call. Although COVID put a lot of constraints on our business for most part of the quarter, we were able to transact and conduct commerce. To the entire credit of our Redington team, we were able to execute extremely well. We did incredibly well in terms of working capital, on free cash flow, etc. We are very bullish and optimistic about the way forward. We think the one sector or one industry, which is going to see a brighter side on account of COVID is the technology part of the business and since we are in the technology distribution space, we see good days ahead for us. We would like to believe that what happened in Q1 is not a flash in the

pan. We believe that Q2, the momentum should continue and of course, starting Q3 and Q4, it should be more business as usual. Thank you, once again. Good day and good night to all of you.

**Moderator:**

Thank you. On behalf of Redington India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

***The document has been edited for readability purposes***