"Redington India Q4 FY15 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to Redington India Q4 FY15 Earnings Conference Call hosted by Axis Capital. 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Priya Rohira from Axis Capital Limited. Thank you and over to you ma'am.

Priya Rohira: Thanks Darryl. A very good afternoon, good evening and good morning to various participants joining us from various time zones. It is with great pleasure I welcome you to the fourth quarter FY15 earnings call for Redington India Limited.

We have with us Mr. R. Srinivasan – Vice Chairman, Mr. Raj Shankar – Managing Director; Mr. Krishnan – Chief Financial Officer and Mr. Jayaraman – Treasurer from Redington India Limited. The call will begin with a brief management discussion on the performance for the quarter ended March 2015. This will be followed by an interactive Q&A session. The conference will be archived and the transcript will be available. I will now hand over the floor to Mr. R. Srinivasan – Vice Chairman for the initial presentation. Over to you, Mr. Srinivasan.

Raj Shankar: Thank you, Priya. This is Raj from Redington. Mr. Srinivasan is very much here, he will certainly participate in the Q&A session. But before that, hello to everyone one the call. Thank you for joining us.

Very quickly to give you the highlights for quarter gone by. I am very pleased to share that at a consolidated level Redington has grown the profits by 13.1% over the profits of last year and the revenue has grown by a modest 1%. However, I just want to jog your memory that we divested our interest in Easyaccess for last year and therefore if we did an apple-to-apple comparison of the profit growth in Q4 of FY15 without reckoning the profits of Easyaccess for last year, then our profits grew by 14.9%. Now when you look at a consolidated level again, but on a full year basis, I am again pleased to share with you that our top line has grown by 12.9%. Our bottom line has grown by 16.4%.

Like I talked about doing an apple-to-apple comparison by excluding the profits made by Easyaccess for last year, then our profits grew by 24.5% on a full year basis. I would like to believe that this has been one of our very strong performance bearing in mind that for the year gone by it has been a very tumultuous period.

All of you would know about the kind of challenges and the stress level in outside India, particularly in the Middle East and Africa, affected largely by the geopolitical tensions further aggravated by some of the terrorist problems relating to the ISIS in the Middle East and Boko Haram in Nigeria, we had huge currency volatility, there was a currency depreciation across three important markets i.e. Turkey, Nigeria and Morocco in particular. In all these three markets the devaluation of the currency over a six month period has been anywhere from 13% to 18%.

Given the backdrop of such high problems and high stress situation in most of the markets that we operate, I am very pleased to share that we have had excellent results, both for the quarter and more importantly on a full year basis.

I also hasten to add that the growth in terms of top bottom line is true for both India as well as the overseas. To put things in perspective, our growth in the case of on a consolidated basis for India has been about 14% on profits and outside India is about 19.5%. So the good news is, it is an all rounded performance across businesses and also across both India and outside of India.

I am also pleased to share with you that we have taken upon ourselves a mandate to deliver positive operating cash flow. For the year gone by, we were able to deliver a positive operating cash flow of a little shy of ₹ 257 crores. However, from a free cash flow point of view taking into account the CAPEX, dividend and also the finance cost, then it has been neutral. So overall, it has been a good year in terms of growth on top line, more aggressive growth on the bottom line, making sure that we have delivered our mandate for positive operating cash flow.

The board has also pleased to announce a dividend of 20% on the profits earned by the company which would constitute to 95% on the face value of the share. This in terms of yield bases the current price this would represent about 1.5 ~1.6% and the yield in rupee terms is about ₹ 1.9.

I will pause at this stage and once again thank you to all the investors, shareholders who had continued to support us for the year gone by and we look to your continued support in the ensuing period. Over to you Priya.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Srivatsan R. from Spark Capital. Please go ahead.

Srivatsan Ramachandran: So just wanted to get your thoughts both on the quarter gone by in terms of India revenues, there seems to some softness on the standalone revenues on the India front. I just wanted to understand what is causing that and how do you see the outlook playing out maybe by geography it will be very helpful.

Raj Shankar: Well, on the quarter gone by, in India as you would know, with the introduction of an additional distributor for the Apple iPhone business has certainly impacted our revenue. On all other businesses minus of Apple iPhone, the growth has been of course positive, though modest and on the iPhone as you would know it was a two distributor scenario essentially, and with the addition of the third distributor which essentially meant that there was a big opportunity in the form of north region which was carved out of Redingtons's distribution opportunity which therefore impacted our revenue. That is the only drop or decline in revenue, the rest of the business has seemed to hold reasonably well.

Srivatsan Ramachandran: And then on going forward basis how do you see both India on the mobile, telecom, mobile or the computer side and overseas business?

Raj Shankar: Okay. With regard to the India chapter, I think this given that the Apple distribution landscape change happened last quarter so for last year from April through December we had the full benefit of being able to participate on a pan-India basis. Whereas this year from April through December, we would only be able to participate on pan-India minus of the north region, so that impact would continue in the current year. But as we have made some efforts, though it is still work in progress to try and add brands which will help us to make up for this revenue deficit in the case of Apple iPhone. Outside India, the prospects for growth largely hinges on this problem of currency and the geopolitical tension whether it is going to continue in the way it is. So in spite of that while for the last quarter we have delivered interesting growth, going forward we would like to, we hope and pray that there would be an improved or a changed scenario which will help us to then come to a double-digit growth number.

Srivatsan Ramachandran: Sure. My last question is, you did say that there will be a negative impact from the Apple business, on an FY16 basis any broad quantification in terms of what decline we can see or what was the contribution this quarter so that we can take the run rate on an ongoing basis?

Raj Shankar: Okay. To give you a sense, for last quarter in particular the decline could have been in the vicinity because it was not a full quarter where the impact was there but the impact would have been in the vicinity of about 10%. But when you play it out in April through June quarter, for instance the likely impact would be anywhere between 15% to 20%, this is specific to Apple iPhone.

Moderator: Thank you. Our next question is from the line of Priya Rohira from Axis Capital Private Limited. Please go ahead ma'am.

Priya Rohira: Mr. Raj Shankar, my question related more on Apple side, you believe Mac, I mean Apple is believed that Mac is going to be a big opportunity in India. If you could outline there in terms of growth prospects for Redington given the fact that there we hardly have any competition. The second thing is, if can we have an update on the growth in the logistics business and Ensure Support Services?

Raj Shankar: Right. So Priya on the first point, your observation is very right. The Mac business for Apple has been good for apple and has been also very good for us. Last quarter, just to give you a sense, our numbers on Mac Pro grew by close to 50% to 60%, so it has been a very interesting opportunity and we see this kind of a growth pan out in this coming year as well. With regard to the logistics business, we continue to have a good traction. Some of the opportunities particularly on the ecommerce side is something that will manifest into numbers both in terms of top and bottom-line more in FY16 because we have just had some initial contracts and we did represent some of the ecommerce companies in terms of managing their fulfillment centers but this year we expect that to scale. So on the logistic side of the business we are definitely bullish in terms of the prospects for the current year. As far as the Ensure Support Services is concerned, there is still no significant game changing that we have adopted yet. There are some very clear plans to move up the service value chain, while the business is profitable, is getting better but we are now in the process of redefining our service business opportunity so that it will start to get more margin rich and profit interesting. Thank you.

Priya Rohira: Sure, that's helpful. Can I also request you to share the logistics business growth Y-o-Y in FY15 if that is possible?

S.V. Krishnan: Yes. In terms of revenue it is about 20% and in terms of profit it is about 36%.

Priya Rohira: Sure, that's helpful. And how have the working capital days changed for this quarter?

Raj Shankar: Overall, it has been a little muted, if you look at FY14 to FY15 we continue to be operating at 53 days. But in the light of Priya looking at particularly the last quarter, while 53 prima facie is not something to boast about, but I must tell you given the challenges from the difficulties, I think 53 is something that we are pleased with. So going forward we plan to improve it.

Priya Rohira: Sure, that's helpful. And is it possible to get the Y-o-Y growth for Apple iPhone because overall Apple pie is itself increasing, so if we were to compare the market size as well would be helpful.

Raj Shankar: If you are talking about Apple iPhone growth for Redington?

Priya Rohira: Yes, on a Y-o-Y basis basically.

Raj Shankar: Okay. Some of this numbers Priya as you would know Apple is very sensitive to, though I did share the growth numbers but if you see the way I said it, I said it is about 50% to 60%, allow me to probably just to give you the comfort that it is a nice double-digit number that we grew but I am unable to give you the clear numbers because Apple does not give us the same level of freedom.

Priya Rohira: Sir this 50%, 60% growth is including all Apple products or is it only for Mac Pro actually?

Raj Shankar: I thought your question was specific to Mac Pro and my answer was specific to Mac Pro.

Priya Rohira: So iPhone would have grown at what rate actually, or even if you tell me, I mean industry size itself because the industry itself is expanding.

Raj Shankar: Okay. So let me put it this way, from an industry standpoint the smartphone business is growing at about 35% and if you look at Apple, their own plan was close to doubling this number what they did the previous year, though our in-house view could be different, so the rest is to your imagination Priya.

Moderator: Thank you. Our next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: My question would be on margins, so in terms of this quarter we have seen a good improvement in terms of margins on a Y-on-Y basis, so what has led this and where could we see margin trajectory going forward?

Raj Shankar: Okay. So with regard to the margins, like I said for us, what I am going to say must be taken in the right spirit. Sometimes as they say a problem is an opportunity, so the fact that the Apple business from an iPhone point of view came off a little bit on the revenue therefore to that extent it also helped from a margin perspective because we do not make the kind of margins on Apple iPhone as we do in the IT business and more importantly on the value added distribution business. So last year the more iPhone business that we do the margin is probably only half or 60% typically of what we make on IT. So that is one of the reasons why our margins are better this year compared to last year. Point number one.

Point number two is, our value added distribution business especially outside India in the Middle East, Turkey, Africa has grown quite considerably and this particular piece of the business as you would know is margin rich, that worked very well. And the last part of the business and the piece is, even here in terms of certain specific businesses like software, security, etc, that did very well for us compared to the past. So all this collectively helped us to scale up the margins.

Atul Mehra: Right. And on the ground actually are we witnessing in terms of pick up in corporate IT coming back or is that sometime away?

Raj Shankar: We have been hoping for this the whole of last quarter and we continue to hope for the current quarter, if that would explain.

Atul Mehra: But any signs so far?

Raj Shankar: Nothing very tangible, nothing very material. It is still a hope, but in our sense without being too skeptical we think in the second half of this year we are hoping to definitely see some definitive improvement, at the moment we are not seeing anything material or tangible. Thank you.

Atul Mehra: Right. And thirdly, in terms of new vendor addition, so in terms of new OEM addition in the sense, so where are we at that particular in terms of metric right now and when could possibly we look at in terms of additional OEMs being added?

Raj Shankar: For the last quarter actually we have added quite a few vendors both in India as well as outside India, but more outside India. But there is nothing which is of very high material, a materialistic number so there are efforts under way and we are hoping that in the near-term we should be able to add some vendors where we can get some good growth opportunity.

Atul Mehra: Right. And just one final question on Apple once again, so is it now that the geographies are clearly divided between various in terms of distributors or how has the in terms of transition actually happened on the ground. So if you can just briefly elaborate on that?

Raj Shankar: Yes. That is very clearly a live and let live model so between the three distributors the market has been divided geographically as well as by segment, so it is a very clear clean play. Thank you.

Atul Mehra: Right. And how was it earlier, so earlier between us and Ingram it was in terms of divided as well or is this a new kind of model that we are getting into now?

Raj Shankar: In the past it was very clearly between Ingram and Redington, it was by market segment. Both of us had on a Pan-India basis. So right now it is again on a geographical spread and geographical divide as also by market segment.

Atul Mehra: What do we have right now? We have a particular geography and a particular….?

Raj Shankar: Let me put it this way what we don't have is the North region.

Atul Mehra: Product-wise we would have everything?

Raj Shankar: Yes absolutely.

Atul Mehra: And earlier North what exclusive to us or it was shared with Ingram?

Raj Shankar: That was like I said, we had it on a Pan-India basis, so North was also part of our distribution coverage.

Atul Mehra: And it would have been the same with Ingram as well, right?

Raj Shankar: Yes absolutely. They were playing on a segment which is called the modern trade and we were playing a segment which is called the general trade.

Atul Mehra: Would there be any market share that we would have in terms of North India? Perhaps to put it another way, what proportion of our Apple business used to come from North India?

Raj Shankar: Let me answer it differently. I really don't want you to over read about a change that has happened in a particular quarter. I think what would be important to read is, with this change in the distribution landscape how is the market share likely to pan out in the way forward? And my short and sweet answer to you is by and large it will be equitable between the three players.

Moderator: Our next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: What was the portion of non-IT revenue in India this quarter?

Raj Shankar: 38%.

Vinay Rohit: And international?

Raj Shankar: About 12%.

Vinay Rohit: You talked about that you had some tie-up in ProConnect for the managing fulfillment centers Could you help us with some more details, which are the players, is any one of them from the top three and what kind of deals we have?

Raj Shankar: You would appreciate that since we are governed by confidentiality with some of these eCommerce companies I may be constrained to share with you the T's and C's but I certainly want to share with you that we have started with some of the key players in this particular business or industry and we have commenced this whole operations in certain region, in certain location and there is a very clear discussion, negotiation going on to see how we can scale up this operation outside or beyond this particular region or market that we are covering. So we are having those kinds of discussions. As I said very clearly this eCommerce opportunity from a ProConnect standpoint is something that is going to stimulate the growth for the logistics piece.

Vinay Rohit: If you could share what is the scope of this engagement, if that is okay with you?

Raj Shankar: The scope would typically include at the moment we are negotiating or discussing on two points. One is, managing the fulfilment center. The other is arranging in a way of speaking you could say as an end-to-end kind of an arrangement even though we may not be typically executing the last mile but taking the responsibility for an end-to-end.

Moderator: Our next question is from the line of Akshan Thakkar from Fidelity Investments. Please go ahead.

Akshan Thakkar: You mentioned that non-IT is 38% of your business. If I assume that 75-80% of that is Apple and Apple declined by 10% then your Apple business declining only explains about 3-4% fall in India revenues and India revenues sequentially have fallen more than that. So was there like reduction in IT business revenues as well on a sequential basis?

Raj Shankar: First I want to provide two or three clarification before I answer. One, when we talked about the growth or the de-growth, we were referring to iPhone and not talking about Apple as a brand. As you know there is an iPad opportunity, there is a Mac Pro opportunity, etc. The second point that I want to also clarify is we are always referring to a year-on-year growth and not a sequential quarterly growth numbers. With this clarification does that answer your question?

Akshan Thakkar: I was essentially looking at the sequential decline in revenues. If what you are saying is right, you are saying that all the sequential fall in revenues come from the Apple business, is that right? Or the IT business has also fallen?

Raj Shankar: The first point I want to make is whatever numbers that we shared on the call today whether it is for the quarter, whether it is for the year, is for year-on-year basis in terms of growth not on a sequential quarterly numbers, so it's not a growth where Q4 over Q3, it's about Q4 FY15 over Q4 FY14 if that explains. So we are not looking at on a sequential basis so if we have a question very specific to the revenue of the previous quarter and the revenue of the current quarter, that data may not be in front of us so we will have to take it off-line with your permission.

Akshan Thakkar: Okay.

Moderator: We have a question from the line of Dinesh Kumar from iWealth Management. Please go ahead.

Dinesh Kumar: I just need to know one bookkeeping question, can you share the number of Q4 FY14 without Easyaccess, domestic business revenue?

S.V. Krishnan: It is 3320 crores.

Dinesh Kumar: Now more or less it is same?

S.V. Krishnan: No, now it is 3320, last year same period it was 3440.

Dinesh Kumar: No, you are saying the actual number. I am asking without Easyaccess, in your commentary which we said.

S.V. Krishnan: In terms of revenue Easyaccess is very small. So this is without Easyaccess.

Dinesh Kumar: 3430 is without Easyaccess.

S.V. Krishnan: Yes.

Dinesh Kumar: But in commentary we were saying that our revenue has grown without Easyaccess by some percentage, so how to interpret that?

Raj Shankar: I think there has been a misunderstanding. When I talked about the growth I was only referring to the profit growth where, once again just for clarification, for the quarter at a consolidated level our growth was 13.1% with Easyaccess and without Easyaccess was 14.9%. I repeat this is profit growth Q4 FY15 consolidated.

Dinesh Kumar: So basically we did in Q4 it is 113 crores PAT so you are saying that has grown by 14% that is what you are saying, right?

Raj Shankar: Absolutely, it is 128 crores PAT and 113 crores was last year and hence 13.1 whereas if you don't reckon the Easyaccess it is 111 vis-à-vis 128 representing a 14.9% growth. I also want to add here hopefully I am not confusing you; we have not reduced from here the CSR amount which is about 5 crores. So whatever numbers that we gave you does not reckon the CSR amount. I just thought for good order.

Dinesh Kumar: Basically you are saying whatever that **tepid** revenue which is there in the domestic market that is actually actual revenue was de-grown by 3.2%, its actual business de-growth, right?

Raj Shankar: Yes.

Dinesh Kumar: So it is nothing related to Easyaccess exit?

Raj Shankar: Absolutely, the revenue de-growth has got nothing to do with the Easyaccess, it has everything to do with Apple iPhone.

Dinesh Kumar: Apart from that what is the business outlook which you are seeing for domestic market going forward excluding this Apple thing which happened recently? So excluding that what is the business opportunity we are seeing and how the outlook is there?

Raj Shankar: In terms of the outlook we definitely think there is lot more opportunity in IT, like we talked earlier there was a question about whether we are seeing from a corporate IT point of view or a government point of view whether we are seeing any marked improvement. As yet we have not seen but we would believe that in the second half of this year we should start seeing some of those investments come in and that in turn will prop up our IT part of the business.

Dinesh Kumar: To understand a little bit more so basically our domestic business 30% of the revenue is coming from Apple, so that business will have a slight impact, that will pull down the revenues whereas other business will grow, is it the correct understanding?

Raj Shankar: Absolutely.

Moderator: Our next question is from the line of Srivatsan R from Spark Capital. Please go ahead.

Srivatsan R: I just wanted a couple of bookkeeping questions in terms of CAPEX outlook for next couple of years especially on the 3PL business I just wanted to get your thoughts in terms of with the

Apple business winding down to you see working capital requirement substantial increasing in the domestic business?

S.V. Krishnan: For FY16 we expect about ₹ 83 crores of additional CAPEX.

Srivatsan R: On the working capital bit just wanted to get your thoughts on the domestic working capital piece, do you think the mixed change which will possibly be lower, Apple should worsen your working capital to some extent?

S.V. Krishnan: From Apple side yes, but I mean we expect the overall reduction in the working capital because of efficiencies in the other business. So overall we think the working capital can come down, at best it would get maintained at 53.

Moderator: Our next question is from the line of Nimit Shah from ICICI Securities. Please go ahead.

Nimit Shah: Sorry to repeat the question can you specify the growth rates in India for the IT business and non-IT business on a year-on-year basis for this quarter?

Raj Shankar: Okay we will just check that specific, just give us a brief moment but the point we were only making is, in the meantime while we will try and see if we can pull that, India on a standalone basis has de-grown revenue last quarter by 3.5% but on a full-year basis it has grown by 8.5%, so again somewhere I don't want you to over read into one quarter particularly last quarter where we had largely the impact Apple iPhone.

Nimit Shah: So excluding the Apple iPhone have you witnessed the growth on the IT business as well or it was a de-growth on the IT front also for this quarter?

Raj Shankar: For this quarter IT was muted in terms of growth, probably maybe a percent up but what really happened is the bottom line is something that happened much better because while the topline did not grow we had the value business really scale up which is why you see that even though if I have to take India on a standalone basis while our revenue de-grew by 3.5% overall, our EBITDA grew by close to 6%.

Nimit Shah: That answers mainly because of the reduction of the contribution from Apple business where the margins are on the lower side.

Raj Shankar: Now if I have to give you one more statistics, of course, I am opening to more questions but just to complete that point our PAT for last quarter grew by 20%. So I just want you to take it in its totality, revenue de-growth of 3.5, EBITDA growth of 5.8 and a PAT growth of about 20%. This is the performance of India for last quarter and if you have to therefore look at a full-year basis the revenue grew by 8.5% and the profit grew by close to 14%, 13.6.

Nimit Shah: Could you also specify what are the regions where Brightstar would be operating? So he would be only in North or apart from North other regions as well?

Raj Shankar: For now North.

Nimit Shah: Only North.

Raj Shankar: Yes.

Nimit Shah: So if you see sequentially also the non-IT business there is a drop of say 250-300 crores in revenues, so this is mainly because of the impact of the North region?

Raj Shankar: To a large part, yes.

Nimit Shah: One more thing on the Other Income it includes a large portion from the sale of land, so any reason why the Other Income excluding the land it's on the lower side?

S.V. Krishnan: See, other than the land the Other Income if you see it would majorly constitute interest that we collect from the Channel Partners and there can't be a fixity there. If there are any delay and we are able to collect overdue interest from them to that extent Other Income moves up. So there is no specific reason why it has dropped compared to what it was there last year.

Nimit Shah: Because our quarterly run rate used to be 15-20 crores, so in this quarter its largely driven by from the sale of land of 12 crores out of 13 crores of Other Income.

S.V. Krishnan: No, in this quarter there is no sale of land. The sale of land relates to 1st Quarter.

Moderator: Our next question is from the line of Swanand Kelkar from Morgan Stanley. Please go ahead.

Swanand Kelkar: A few questions; one, it looks like GST will see the light of the day finally in the next few months. So how are you thinking about GST and the opportunity it presents? Second, given that the CAPEX numbers that you just shared with us along with your working capital target, does it mean you become free cash flow positive in FY16? Third, with what is happening to iPhone, the trend we have seen in the past of your non-IT as a share becoming larger in your overall revenues in India, does that trend continue or does it get broke?

Raj Shankar: I will take the last one first; so with regard to the non-IT part, I think whatever that you saw for the last quarter is more representative, so in other words, it is more likely to be something like a two-third, one-third kind of a split between IT and non-IT as far as India standalone is concerned. To your second question about the free cash flow and the working capital reduction, so, first, we have internally surely driving towards generating a positive operating cash flow, hopefully, higher than what we delivered last year. We are also working towards trying to generate free cash flow but then honestly because we are taking an element of finance cost, now outside India, where the working capital consumption is more than in India, we are expecting an increase in the interest rate and hence to that extent the finance cost will go up, but if none of those were to happen, then we are reasonably certain to generate free cash flow. Now, to your first question on the GST, you are absolutely right, we think this whole thing about GST is finally hopefully becoming a reality. As we have always mentioned given that we have a huge number of warehouses in almost 65-70 locations now this will help us to definitely consolidate, reduce the logistics cost, reduce the working capital, hopefully, reduce the interest cost but there is also going to be an increase on transportation because when you have relatively fewer warehouses, then transportation and delivery cost will go up but the net and sum is that we think this is going to be definitely a very positive implication to us.

Swanand Kelkar: What you are saying is from a margin standpoint it will be accretive. What I was also trying to ask is does it increase your opportunity size in terms of revenues, in terms of getting more clients on board?

Raj Shankar: Where we see a definitive traction is in the eCommerce space. So, under normal circumstances, we are seeing a very interesting organic strong double-digit growth but this is going to get further accentuated with the eCommerce opportunity and that is something that we are now discussing not just specific to a market or a few locations, but we are trying to see if we can scale it to a pan India, then obviously, this whole thing is going to take completely different size and scale.

Moderator: Thank you. The next question is from the line of Priya Rohira from Axis Capital Private Limited. Please go ahead.

Priya Rohira: Is it possible for you to share the volume and the value break up for both India and Overseas separately? Secondly, is it possible to share in terms of eCommerce as a business opportunity, what percentage this could be right now, in the future how do you see this because this seems to be an important driver especially for the Logistics business?

Raj Shankar: In terms of the volume and value split outside India, is in the vicinity of about 15% being value and as far as the India is concerned, approximately about two-thirds of the business thereabout is the value and about a third is on the volume.

Priya Rohira: Just your views on eCommerce as a channel, as a new customer engagement for us, what revenues we are getting currently say, growth kicking in because it is really mushrooming industry?

Raj Shankar: At the moment, what we are seeing is a lot of these companies are moving to a marketplace model, in fact, some of our own resellers whom we are selling different IT and non-IT products, they are actually using the platform of some of these eCommerce companies to do their buy and sell. So to that extent, it maybe a little difficult for us to look at what is the opportunity, but if it is strictly in terms of selling to an eCommerce company, at the moment, if we were to look at from a IT and Telecom point of view, probably somewhere in the vicinity of about 6-7% is what it is for us.

Moderator: Thank you. The next question is from the line of Sudarshan Mal from Dalmia Securities. Please go ahead.

Sudarshan Mal: A few questions; just wanted to get some more color on your logistics subsidiary ProConnect. So can you share like what is the size of this and what is the margin do we do here?

Raj Shankar: We do approximately about Rs.80+ crores for last year and our bottom line is about 10%.

Sudarshan Mal: What we understand from this discussion today, this is going to be one of the major growth drivers going ahead. So any plans to demerge this part?

Raj Shankar: At this point in time, it is still reasonably a small asset, we first want to bring it to scale and therefore at this point in time there is no such intention.

Sudarshan Mal: eCommerce logistics companies there are so many and most of these eCommerce guys are having their own logistics arm. So want to get an assessment like what is the competitive intensity in this entire space, are we giving margins away because there are so many players, everyone is trying to latch on to the same Flipkart and Flipkart is also hiving their own eKart. So want to make a sense that how competitive this market and what is the sustainable margin here?

Raj Shankar: At this point in time the demand is far higher than the supply, because the growth trajectory of the e-commerce companies of the last one, one-and-a-half years has been honestly phenomenal and their own plans and projections in the way forward seems to be almost many times the current numbers. If anything of that is true, in current context there are a very few good intelligent logistic centers and there are very few companies who can also drive and manage scale, for instance, in some of the discussions that we have had with the e-commerce companies, they are asking us, can you please dedicate about 1.5 lakh sq.ft. of warehouse space. Now, our own Chennai distribution centre is about 100,000 sq.ft. So you can imagine the scale at which some of these people are talking and there are not too many people who can really manage scale and who are extremely knowledgeable and familiar with this particular brand and business and given that the fact that the demand far outweigh supply, I genuinely think while there is competition there is more opportunity than competition here.

Moderator: Thank you. The next question is from the line of Vikas Chiranewal from Franklin Templeton. Please go ahead.

Vikas Chiranewal: Just a couple of things; one on Apple itself; the new series of ad seems to suggest that there is a fourth player Rashi as well. So if you could clarify on that?

Raj Shankar: On the first point, in most of our discussions, we normally do not mention about the fourth player purely because they are currently responsible only for one market which is Gujarat, and hence more often than not and it is a very-very small percentage of the total distribution opportunity.

Vikas Chiranewal: What is the clarity on the term, the period of the contract for Apple, in the sense this contract that we have now signed, is it a three year, five year, one year, how long is the duration?

Raj Shankar: So, typically is I would say open-ended, in many cases it is one year, but it is automatically renewed, in some cases these are open-ended most of the contracts that we have. So we signed up as you know with Apple in effect about seven years ago when they introduced their iPods and then they added the Mac, then they added the iPad, then they added the iPhone. So what happens is you will have one mother contract and then as they add various products so you continue to get new exhibits. So it is like the same contract but you get new exhibits.

Vikas Chiranewal: As and when the Watch opportunity opens up for Apple in India, one, would we be participating in that; and two, would there be another channel partner because that might entail a different reach requirement and channel in that sense?

Raj Shankar: This is one opportunity that I am sure the current distributors all of us are hoping for. We have no clarity from Apple in terms of how, when, they plan to go about it. But, our sense is if and when they do and launch it, we are certainly likely to be one of the beneficiaries, though at this point in time, I would not be in a good position to clearly say which region, which market, which segment, I really do not know how they intend to have the distribution landscape.

Vikas Chiranewal: One very broad question; typically at the beginning of the year we have usually given a broad guidance as to what we expect for next year. I know it is a very difficult environment to guess now, but what would be the broad expectations for next year FY16 for both India and overseas in terms of revenue CAGR?

Raj Shankar: First, I want to give our usual answer, but there is a lot of truth and merit in that, we would do better than the industry, as you know, till now we have always grown faster than the industry and that is an important benchmark because if the industry for instance grows at 20%, you can be rest assured that we would grow faster than that, but if the industry grew by only 3%, then our growth also would be in relation to that, this is point #1. But having said that internally we have plans… please do not ask me specific numbers, but I would tell you that we have a clear plan to grow double-digit. So, this would be of course true more for bottom line than top line but true for both.

Vikas Chiranewal: Any vendor additions in the current quarter that we can share?

Raj Shankar: Nothing very material or significant. We have added a number of brands, but nothing which is of scale or which is very material.

Moderator: Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: If you look at other expenses, it has declined from Rs.195 crores to Rs.164 crores from 3Q to 4Q. So is it anything to do with the Apple business or because the number has come down pretty sharply?

S.V. Krishnan: The major component of the other expense as we have discussed before, Vinay, is on account of the spend that we need to do in marketing activities for Apple products. So that goes broadly in line with the increase in the business. So if you eliminate in terms of the normal growth, it is very similar to the revenue growth.

Vinay Rohit: So in that sense, this is the new normal?

S.V. Krishnan: Yes, at these revenue rates of Apple, yes, this will be the new normal.

Vinay Rohit: The impact of third distribution, is it for two months or is it for the whole quarter?

Raj Shankar: Yes, this is typically for two months.

Moderator: Thank you. As there are no further questions I now hand the floor back to Ms. Priya Rohira for closing comments. Over to you, ma'am.

Priya Rohira: Thanks everyone for joining this call. On behalf of Axis Capital I would like to thank the management team of Redington India for giving us great insight and would like to now hand over the floor to the Redington management team for the final remarks.

R. Srinivasan: I think in spite of a very difficult global environment and also not an expected environment in India post elections, the company's performance in the fourth quarter I would say is exceptionally good and the annual performance as well has come out interesting enough and as Raj mention to you earlier, the board has taken a decision to increase the dividend payout from last year of 10% of profits to now 20% of profit and we look forward to a very interesting year going forward. Thank you for all the participants.

Moderator: Thank you very much. On behalf of Axis Capital that includes this conference call. Thank you for joining us. You may now disconnect your lines.