REDINGTON

Corporate Office

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03rd November 2017

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

Sub: Q2 FY18-Earnings Conference Call Transcript

Dear Sir/Madam,

This has reference to our letter dated 25th October 2017 intimating the details of Investor/Analyst call on the Unaudited Financial Results for the quarter and half year ended 30th September 2017 scheduled on 31st October 2017.

In this regard, we are enclosing herewith the transcript of Conference Call hosted on 31st October 2017. The same is also available in the Company's website www.redingtonindia.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

Q2 FY 2018 Results

Conference Call

October 31, 2017

MANAGEMENT : **MR. RAJ SHANKAR – MANAGING DIRECTOR – REDINGTON (INDIA) LTD**
MR. S. V. KRISHNAN – CHIEF FINANCIAL OFFICER - REDINGTON (INDIA) LTD
MR. S. JAYARAMAN – VICE PRESIDENT, TREASURY – REDINGTON (INDIA) LTD
MS. SOWMIYA M – MANAGER, INVESTOR RELATIONS – REDINGTON (INDIA) LTD

ANALYST : **MR. MADHU BABU – PRABHUDAS LILLADHER PVT. LTD.**

Moderator: Ladies and gentlemen, Good day and welcome to the Redington India Limited Q2 FY18 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. 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 touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Madhu Babu from Prabhudas Lilladher. Thank you and over to you, sir.

Madhu Babu : Good evening, everyone. On behalf of Prabhudas Lilladher, I welcome you to the Q2 FY18 Earnings Call of Redington India Limited. We have with us today the senior management of Redington represented by Mr. Raj Shankar, MD; Mr. SV Krishnan, CFO; Mr. S. Jayaraman, VP Treasury and Ms. Sowmiya M, 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, Madhu Babu and thanks to everyone who has joined us for the analysts' call. I am very pleased to share with you that this was another good quarter for Redington. In Q2, our revenue at a consolidated level grew by 8.4% and our earnings grew by 12.4%. The good news is that both India and overseas grew both top and bottom line, although it is important to mention that the overseas growth in this quarter has been quite strong. The top line grew by 10% and the bottom line grew a little shy of 20%. But what I'm very pleased to share with you is that while all of us felt that with the roll out of GST on the 1st of July, this quarter which is Q2, there would probably be some challenges and we were dreading a little bit of de-growth. But in spite of all odds, I am happy to say that India grew by 5.9% on the top line and 5% on the profits. The other good news is that we have reduced our working capital at the consolidated level in Q2 by a good 6 days. While again the overseas performance here has been quite strong, the reduction, as far as overseas is concerned, was 10 days - from 42 days of working capital to 32 days in this quarter. This has resulted in being able to generate positive free cash flow. For the quarter at a consolidated level, I'm pleased to share with you that we have generated Rs. 136 crores of positive free cash flow.

As we now look at H1, we grew our top line by 5.5% and our bottom line by 9.2%, and again for H1, at a consolidated level, we generated positive free cash flow of Rs. 98 crores. Once again, there has been a very strong performance from ProConnect, our logistics business. It feels very nice to share with you that our revenue growth for the quarter was 96% and our profit growth was 36%. And again if you look at ProConnect, for a 6 months period our top line growth was 93% and our bottom line grew by 36%.

I hasten to add that the Redington contribution of the ProConnect business from the revenue standpoint was 23% and therefore looking at it differently, 77% of the business is from third party. Overall again from a financial discipline, I am very pleased to share with you that our net debt to equity at a consolidated level was 0.3. This has been again one of the lowest that we have delivered in a long time.

So from a consolidated perspective our equity capital, as at 30th September, was Rs. 3266 crores. Our net debt was a little over Rs. 1000 crores. I'm sure some of you are very keen and eager to know on two important points. One, the impact of GST, if any and also on the launch of Apple iPhone 8. With regard to GST all that I would like to share with you is that we had planned and prepared ourselves extremely well and therefore on 1st of July when GST was rolled out, we were quick to get off the blocks. We experienced some challenges because some of our own vendors as well as lot of our partners were not fully prepared. But in spite of all odds, our consumer business grew impressively in Q2. Overall we have managed to sail through with minimal impact on revenue and bottom line as far as GST is concerned. I would like to believe that GST should become history in a way of speaking in another one quarter. In other words the impact of GST will be probably be done within the coming quarter. As far as the iPhone 8 is concerned, for this quarter, we had a chance to participate for just 2 or 3 days in September. And while the initial launch was well-received, now we are hoping that, more importantly with the launch of iPhone X, three days from now which all of us are expecting it to be a killer product, and it's going to be a blockbuster. Subject to availability, this is going to become a game changer in our opinion, as far as iPhone in India is concerned and Redington in particular.

Overall a very good quarter and a decent H1. Back to you, Madhu Babu.

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Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Our first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Good evening, Sir. A great quarter. Just wanted to understand your thoughts on the enterprise side of the business in terms of sales. You did mention that the consumer side of the business has done well. But how do you see the enterprise side of the business? How has it panned out this quarter and how do you see it panning out going forward? And secondly there was always an expectation that there would be a lot of demand from government driven projects like smart city and few other things. Do you see any pick up there?

Raj Shankar: See, very interestingly, as far as enterprise business is concerned, we did not quite anticipate the developments. Now if you look at Q1 which is April, May, June, we had a very impressive double digit growth on enterprise business whereas our consumer business had a sub-par performance. But as we look at Q2 which is July, August, September, the consumer business, as I explained, did exceptionally well registering a strong double digit growth. But the enterprise business de-grew way beyond our expectations. The main reason for this is unlike in the case of consumer business, where most of our vendors bill to us in Indian rupees, therefore it becomes much easier even in the post GST era to be able to get input tax credit. But as far as the enterprise business is concerned, a good portion of it is dollar billing on which there is a sort of a delayed response from the vendor in terms of support to the extent of GST, on what we call as the backend rebates. So while this has taken a little time for the vendors to agree but we believe that in the coming quarter which is October, November, December, we should start to see the enterprise business once again build traction. So to answer your question, enterprise business was definitely slow in Q2. As far as smart city is concerned, I think it is still early days. There are some smart city projects in vogue. But we are expecting real momentum to happen probably start of next year. So at the moment the enterprise business growth that we enjoyed in Q1, has little to do with the smart city projects or for that matter, the government investment in IT infrastructure. Thank you.

Nitin Padmanabhan: Sure thank you so much. I'll get back into the queue. Thank you.

Moderator: Thank you. Our next question is from the line of Rabindra Nath Nayak from Sunidhi Securities. Please go ahead.

Rabindranath Nayak: Thank you sir. Congratulations for a good set of numbers. Sir, my question is relating to the ProConnect. We have added around 13 warehouses in the current quarter and also 1 million square feet of warehousing space. So can you specify in which geographies & locations, we've added these capacities?

Raj Shankar: A good part of that was an increase on account of e-commerce business. I'm a little constrained to share with you the specific names. But given that some of these big players were working on a billion sales, so we therefore benefited quite nicely on account of this particular opportunity. So good part of that relates to e-commerce.

Rabindranath Nayak: Okay. Can you name those e-commerce companies, sir?

Raj Shankar: As I just mentioned to you, much as I would have liked to share, I am constrained to give specific names. But I'm sure you know who the leading players are. And we are engaged with some of them. And this definitely gave us a catalyst as far as the Q2 numbers are concerned.

Rabindranath Nayak: Okay. Sir, what is the plan regarding the Delhi ADC and what is the status as of now?

Raj Shankar: After a long protracted negotiation, discussion and effort we have taken the decision to divest that land. In the meantime, we are on the lookout for a suitable distribution centre which is ready for use. In this particular case, it was not interesting and economically viable for us to get the right area of property to be able to build the DC. Hence we have taken the decision to divest this piece of land.

Rabindranath Nayak: Okay so are you planning to setup an ADC or something like that in Mumbai region? Or it is not there in your decision making?

Raj Shankar: We continue to put efforts in terms of having distribution centres both in Mumbai as well as in Delhi. I'm sorry that, in spite of all our efforts, we have not been able to find a location and a size that best suits our requirement. But the efforts are on.

Rabindranath Nayak: Okay. Sir, lastly, is it possible to provide the revenue and profitability number of Raj Protim JV for the first half of this year?

Raj Shankar: I don't have that number specifically with me. I'll certainly come back to you.

Rabindranath Nayak: Okay. What is the capex so far in FY18 for ProConnect?

Raj Shankar: Our total fixed asset is Rs. 15.4 crores as far as ProConnect is concerned.

Rabindranath Nayak: Okay. Is this capital expenditure or is it total asset?

S V Krishnan: t is the total assets.

Raj Shankar: Okay. So what is the capital expenditure in the first half of this year in Proconnect?

S V Krishnan: It will be about less than Rs. 3 crores.

Rabindranath Nayak: Okay sir, thank you very much.

Raj Shankar: Thank you.

Moderator: Thank you. We'll take the next question from the line of Vishal Desai from Axis Capital. Please go ahead.

Vishal Desai: Good evening, guys. Good set of numbers. Raj Shankar, if you could just help me with understanding what are we seeing in terms of prospects of the India business and the overseas business. And it would be helpful if we could get into a little bit of a break up on the IT versus the Non-IT side

Raj Shankar: Sure. So I think from a revenue standpoint, I did mention to you that India grew by 5.9%, overseas grew by 10%. As far as profit is concerned by 5% and close to 20% on India and overseas. As far as the split of business between IT and Mobility, it was 70:30 for Q2 FY18. So 70% coming out of IT and a little shy of 30% coming out of Mobility. But if we for a minute include Services as well, the break up of IT will be 69%, Mobility will be 28% and Services contributing to 3%. Does that answer your question?

Vishal Desai: Sure and also if you could provide some outlook on how are we seeing both the Indian Market and the Overseas Market

Raj Shankar: Okay. As far as India is concerned, as I mentioned to you, given that we've had a sort of a reasonable performance in Q2, despite our fears and apprehensions on account of GST and looking at H2 as definitely being good and will be far better than what we have delivered in H1. This is as far as India is concerned. And on a side note while I really don't want to harp on this point too much, the actual impact on account of GST including to our India revenue was a negative impact of anywhere between 6% to 6.5%. So let me toss it on its head. So if for a minute we didn't have this GST negative impact on revenue, our revenue growth in a way of speaking could have been anywhere between 11% and 11.5%. So that would probably explain that the business is on a good track. It is only that with this migration to GST on account of various factors and which is why I was careful in saying, including GST there would have been a negative impact for the quarter in India. As far as overseas is concerned, again with the rupee strengthening this particular quarter, the negative impact was around 3.5%. So in other words, had this not been there and if you look at it on a constant currency basis, instead of a 10% growth it could have well been around 13.5% to 14%. So given that in both India as well as outside India, we've had a decent Q2. We are only looking at the way forward as being better. But more strongly in India than necessarily outside India.

Vishal Desai: Sure. And any sense that you can give us in terms of the overall industry growth that we generally spell out in terms of the PC business that would have happened in the overseas market versus Redington growth performance?

Raj Shankar: Very interesting. When you look at India and you look at the PC market, we have outgrown the India growth rate in PC. If in India the growth on PC was 23%, we grew by 26% in India. So there was a strong PC growth. And if you recall I mentioned to you that the consumer business particularly in Q2 in India was very strong for us. On the contrary, outside India while the industry or the market de-grew by 6%, our de-growth was 15% largely on account of Turkey under-performing during this particular period. There was also an instance wherein, in one of the markets, there was a vendor going direct with a retailer which also had a negative impact, but largely coming out of Turkey. Thank you.

Vishal Desai: Sure. That was helpful, guys. That's all from my side. I'll come back for follow up. Thanks.

Raj Shankar: Thank you.

Moderator: Our next question is from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

Madhu Babu: Sir there are reports that Xiaomi is gaining good amount of market share in the smartphone shipments in India. As we are an offline distributor, what is the outlook on Xiaomi? How big of a growth driver can it be, for us?

Raj Shankar: Okay, so I must tell you with a little bit of regret that here is Xiaomi who has decided to change their business model. There was a time when they were going only online as you would know. Then, there was a time when they decided to go offline. But now they have decided to experiment with largely going online as also trying to setup their Mi stores and trying to come up with local city dealer distribution model. So this does not augur very well for us. I agree with you that Xiaomi, in the last particularly couple of quarters, have gained significant market share. But as far as we are concerned we have less or no participation for the moment, because of their change in business model.

Madhu Babu: Sir, all the three Chinese players are using the similar model, be it, Oppo, Vivo or Xiaomi, in terms of city based distribution model. As these are the three players which are gaining a big share in the smart phone side, would such a model be a risk for us?

Raj Shankar: Okay, so if you recall, one of Redington's very clear mobility strategy is that we want to be playing in the mid to the high end. We are not necessarily playing in the mid to the low end. I want you to bear that in mind. We have consciously decided to take that as our strategy. The second important strategy for us is, to the extent possible and practical, we have a bias towards global players and hence you are aware that we are dealing with some of the leading global brands including the Apple and Google, with whom we have a very strong engagement. And these are brands where the product is priced between the mid to high and not the other way around. Lastly, we recently started to experiment with a Chinese vendor. It is still early days but unlike trying to tie up with an existing Chinese mobility vendor and becoming a 20th or a 21st distributor, we are now working with a Chinese vendor who has got serious ODM & OEM capability and now they have no presence in India.We are one of the two players who are going to be taking their product to market. So this is going to be a completely different experience. And if this model works out well, I can tell you this would be far better than having to work with some of the other players that you talked about and becoming probably one of the 20. Thank you.

Madhu Babu: Sir, what is the update on the new initiatives like Solar and Medical equipment distribution? How do we see things shaping up over there?

Raj Shankar: Both Solar and Health and Medical Equipments business experienced some challenges as far as GST is concerned. But having said that let me put it this way. These two businesses for H1 have done close to about Rs. 100 crores of revenue. So in other words whatever we have said we would do we have already taken that initiative and with solar we have signed contracts with a number of vendors and we are in good play there. Similarly as far as HME is concerned, we have also signed contracts with some of the global players. So the business is definitely on the runway. Probably in a few quarters we should be really off to a good take-off in this business.

Madhu Babu: Thanks a lot, Sir.

Raj Shankar: Thank you.

Moderator: Thank you. We will take our next question from the line of Aasim Bharde from IDFC Securities. Please go ahead.

Aasim Bharde: Hi. Congratulations on a good performance this quarter. I just missed out on the overseas market outlook for the rest of FY18 that you answered earlier. Could you elaborate on that?

Raj Shankar: Okay. So the point I was only making is that the outlook is going to be good. They have performed very well in Q1 and Q2. And we therefore think this should continue in the second half of the financial year also. This is to give you an overall perspective. But having said that, there is one market which is Turkey which continues to be a challenge for us and with all the referendum, the presidential election and everything else now in place, we hope that the rest of the period for another 1 or 2 years should start to see some signs of recovery.

Aasim Bharde: Okay. Besides Turkey, any other overseas markets where you are seeing weakness?

Raj Shankar: See, there could be some markets. But overall if you look at Middle East, in spite of whatever is going on there, we have still managed to grow. Similarly, in Africa, we've had a decent growth during this quarter. So from a regional perspective, I would like to believe both the regions of Middle East and Africa continue to be showing promise.

Aasim Bharde: Okay, that was very helpful. Secondly, services revenue for the India business has contributed around 5% of revenues for H1. However it's still at 2% for international. Does the company have a road map to increase share of services in the international business?

Raj Shankar: That's a good point. So I'll tell you what the challenge is. Services business is a fee based business whereas the distribution business is a product revenue business. So inevitably, the service fee business will always be a smaller portion compared to the consolidated revenue. That said, if you look at the overall business outside India, the overall revenue contribution of overseas business is about 62% of the total revenue. So the point I'm making is when 62% of the total revenue is coming out of overseas, even though it appears that we have a little over 2%, this 2% on let's say 62-63% is much more in terms of actual revenue compared to the 5% of the India business. I just thought I should make that comparison if that makes sense.

Aasim Bharde: That made good sense. So, in your earlier presentation I've seen that you are targeting for 20% of your PAT to come from services. So would this mostly come from the India business going forward? Besides ProConnect being a major factor in this, what other tools do you have in your arsenal to take this figure to 20% by 2020? Currently, how much does services contribute to net income?

Raj Shankar: Okay so first you're right, ProConnect is going to be a significant contributor to our service objective and service goal. And we are also as you know looking at both organic and inorganic play. Outside of this, we have 4 other businesses, lot of which are still to gain traction. One, as you know, is Ensure which is our services business on post-sales support but which now we are redefining to take it to a different kind of a value added service. Another aspect is the cloud services which has shown good promise but again it's still early days. We have to give it another year or two for it to take it to scale. We also have the digital printing press which unfortunately on account of demonetisation and further on account of the recent GST has got significantly impacted but that's another promising business in terms of particularly the bottom line. And the last is 3D, where we have recently signed some contracts and therefore it would take time before some of these would fructify into some interesting earnings.

Aasim Bharde: Okay. What was your contribution of services to net income as of FY17? Is it 7 to 8%?

Raj Shankar: That's right. So for last year it was 7 to 8%. Now as far as India is concerned, this time it would be about 14%. And so hopefully as ProConnect continues to do well, and some of the other services business which I outlined now, start to gain traction, I think we should be able to deliver on whatever are the numbers that we had shared with you.

Aasim Bharde: Just quickly, 14% is as of FY17 or as of H1?

Raj Shankar: I am talking about Q2. So 14% of India's earnings came out of the services business in the way we have defined.

Aasim Bharde: Lastly, how sustainable are the working capital levels that you've shown in FY17 as well as in H1? Can we expect the working capital levels increasing from H1 levels at the end of FY18?

Raj Shankar: Honestly, when I look at net 40 days, this is something that I would consider as best in class. It has taken us a lot of hard work to achieve an inventory days of 26 days, creditor days of 35 days and debtor days of 49 days. To answer your question, while net of 40 days is something which is too good to be true, we would definitely try and keep this hygiene under control. But whether it is going to finally settle down at 42, 43, or 44 days, it would be somewhere around that. If you recall a couple of quarters ago, I had said it will stabilise at around 47 to 48 days or about 7.8 working capital turns. At 40 days, it's about 9 working capital turns. So, we would like to make sure that we are hovering around 8 if not 9. Thank you.

Aasim Bharde: Okay. And the final question is who are your key competitors in the logistics' space, i.e., for ProConnect?

Raj Shankar: Honestly speaking it will look like being a very bold audacious statement. For what we are offering today, there is no one company that we can talk about for comparison. There are some, very specialised in warehousing and others, specialised in transportation. But if there is one company which is participating in warehousing, transportation, reverse logistics, also getting into a good play on e-commerce and also certain products which we classify as mission critical which is a very niche kind of services that we offer, it would be difficult to really find another company with these sets of attributes and traits. So I apologise that I am not able to give you one company. But if you ask about the competitors in warehousing or transportation, I guess there are many.

Aasim Bharde: No problem, sir. Thank you very much and all the best for the future.

Moderator: Thank you. Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Thanks for taking my question again. Sir, could you give some colour in terms of the distributor landscape both overseas and India? I think last quarter, you had mentioned about some shake up between competing distributors in the Middle East. How has it panned out and is it that why we are continuing to gain share in the overseas market? And secondly, in the India market, post GST, do you see any shake ups within the distribution landscape in terms of players?

Raj Shankar: Okay. So in both the cases, the answer is no change. So as far as India is concerned, I think slowly it is getting consolidated to some 3 to 4 to 5 large players, though as you would know between us and one more company who is a global company, we together have at least in the IT distribution space almost about two-thirds of the distribution opportunity. And that continues to play out. And as far as overseas is concerned, there have been no further dropouts. Nor are there any new additions. So it is still for us business as usual or status quo

Nitin Padmanabhan: What are the reasons attributable for the strong growth in the Middle East? Is that a general market demand or is it gain in market share within certain products? How do we look at this?

Raj Shankar: Great question. So there are two reasons why you see a continued growth not only for Q2 & Q1, but you would have seen that for the last 2-3 years. The essential reason is, in the IT business, our enterprise business continues to be growing at double digit. So that is something that's doing very well. This is good both from top and bottom line perspective as also from ROCE. As far as the other reason is concerned, you would know that we are being signed up for distributing iPhone in two markets in Middle East-Africa and this certainly has given us a lot of tailwind and that's also one of the reasons why you see a strong and a continued and a sustained growth outside India.

Nitin Padmanabhan: Sure. And just one last, if I may. The overseas market, if I understand right, historically was a more consumer heavy and less enterprise heavy and we were looking at making that shift in favour of enterprise. Where are we in that journey overall?

Raj Shankar: Basically if you look at within IT, that shift is very clearly happening, where more and more of our growth and our business is moving to the enterprise side. So the minute you throw in the mobility factor where you bring in Apple and you know we also have Samsung, then obviously the contribution coming out of the overall consumer business, be it IT and Mobility will continue to be very high. Because no matter how fast we grow on the enterprise, the mobility business growth is obviously going to be very strong and significant. But to answer your question, within IT, that shift is definitely happening quarter after quarter.

Nitin Padmanabhan: Sure. And I apologise I have one more. In the iPhone business compared to same time last year, for the India business - are the number of distributors similar to same time last year or has there been a change?

Raj Shankar: For the quarter gone by, no change.

Nitin Padmanabhan: No, I was asking about OND last year versus OND this year

Raj Shankar: Oh I see. So for Q3, we had 4 distributors last year. This year it will be 5. But I just want to mention here very clearly that the 5th distributor would essentially be playing the enterprise space and not the channel. So to that extent you could still say it was 4 last year and 4 this year except that last year we had access to enterprise. This year not only Redington but all other distributors will not have access to enterprise.

Nitin Padmanabhan: Sure great. Thank you so much and all the best.

Raj Shankar: Thank you.

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

Madhu Babu: Sir any potential new geographies which we can add for iPhone distribution in overseas market?

Raj Shankar: Actually, a good question. We have also added one more market in the Middle East outside of UAE, which is, the Kingdom of Saudi Arabia.

Madhu Babu: Okay. Is there any internal strategy to cap Apple after it reaches 30% of your revenues or would we go ahead? Since Apple has been growing at a very fast pace and as a part of brand diversification, would we look to curb it at a certain level or we don't see that as a big risk?

Raj Shankar: Okay so there are two ways of looking at this. Firstly, if we were doing only one product for Apple, i.e., either an iPhone or a Mac or an iPad or an Apple Watch, that is one way to look at the concentration risk. Secondly, if we were to do for Apple not only one product or two products but do only one geography that would be another way to look at concentration risk. But if I were to tell you that we do the complete suite of products whether starting from iPhone to Mac to iPad to Watch and also accessories where we are one of two players in India, and not only that we have diversified where now outside of India, we have three more markets overseas, then to that extent in fact we have become very relevant to Apple in as much as Apple has become very relevant to us. So as long as we are not either product centric or geography centric, and today we are both product diversified and geography diversified, I don't think the concentration risk should play out. Thank you.

Madhu Babu: Sir, on ProConnect we have talked about even inorganic initiatives to scale business. Can you provide us a 3 year perspective on how we are planning to diversify beyond warehousing into transportation because transportation is currently at 26%? I just want a 3 year outlook on how we should see ProConnect business. Thanks.

Raj Shankar: You would recall that we had shared a 3 to 4 year plan to the market in May this year. So we are on course to delivering on that plan. And just to jog your memory we said we will want to triple the profits of ProConnect in the next 4 to 5 years. And that is exactly what we are on course. This of course will be a combination of largely organic but there will also be a significant inorganic play to this.

Madhu Babu: Okay sir, thanks!

Raj Shankar: Thank you.

Moderator: Our next question is a follow up from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Sir, on the iPhone bit, do you think that the business overall with reference to iPhone can be better working capital turn, better ROCE business this year versus last year? Is there potential for that?

Raj Shankar: Okay. So the short answer is yes. But here is the optimistic side of me saying it. And I'll tell you why. If Apple X from what we know is going to be a killer product and is going to be absolutely a blockbuster, we believe that if only supply was a little more liberal than restricted, it can completely change every parameter that we are looking at whether it's the top line or the margin or the bottom line, and most importantly, the working capital. Because if a product like this is in great demand, then our ability to have super high stock turns and our ability to have super high collections turns can help us to manage working capital and at least for some period we are hoping that we would even run negative working capital, maybe for some months. But the long and short of it is yes compared to last year this year it should get better purely on the back of iPhone X. Thank you.

Nitin Padmanabhan: Sure. I had two more actually. One is with reference to the Kingdom of Saudi Arabia that you had mentioned as a new region - Is that something that is yet to happen or is it already in the bag?

Raj Shankar: It's already in the bag and business has commenced. And this is also a part of what we have reported.

Nitin Padmanabhan: Sure. And the last one was with reference to the Delhi ADC land that we were looking to divest. What's the plan around the use of that cash post divestment and what could be the quantum?

Raj Shankar: Okay so we have made sure that we are getting time value of money as far as the investment in the land is concerned and the use of this money will essentially go towards setting up the distribution centre, both in Delhi and Mumbai. There is going to be a certain amount of capex. Plus we have also mentioned that there is going to be a capex plan as far as ProConnect is concerned over the next 3 years as a part of our inorganic. So it would go towards multitude of things. It all depends on which comes first.

Nitin Padmanabhan: Okay. So will this sales actually take care of all the incremental capital expenditure that is required? It wouldn't dip into the existing free cash flow generation nor the cash on books.

Raj Shankar: Nitin, that was over reading into my statement. That's also a little bit of a wishful thinking. But anyway jokes apart, all that I'm saying is we have made sure that we have got the time value of money. It really depends on what comes first – whether it is going to be setting up the DC in Delhi or in Mumbai or investing into another inorganic thing that comes along. Your question was on how this cash would be put to good use and so I was only setting out some priorities. But we have not earmarked that this cash must be used for this specific purpose. It depends on which one of these three priorities comes first.

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

Raj Shankar: Thank you.

Moderator: Thank you. As there are no further questions from the participants I now hand the floor back to the Management for closing comments. Over to you, sir.

Raj Shankar: Thank you to all the participants for participating in this call. As I mentioned we had a good Q2 in terms of strong growth both in top and bottom line both in India and overseas. We generated positive free cash flow both for the quarter as well as for H1. We managed to bring down our working capital quite significantly which was an important reason why we were able to generate free cash flow. With GST, we were a little bit dreading whether things will go alright. But I'm happy and pleased to share that in spite of all the fears and apprehensions, we have managed to pull through. And as one looks at the way forward, we believe H2 should continue this nice growth momentum as done in H1. Thanks once again to all the participants.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purposes)