

11<sup>th</sup> February 2020

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

Dear Sir/Madam,

Sub: Q3 FY20-Earnings Conference Call Transcript

This is further to our letter dated 27<sup>th</sup> January 2020 intimating the details of Investor/Analyst call on the unaudited Financial Results for the quarter and nine months ended 31<sup>st</sup> December 2019 held on 6<sup>th</sup> February 2020.

In this regard, we are enclosing herewith the transcript of conference call hosted on 6<sup>th</sup> February 2020. The same will also be available in the company's website [www.redingtongroup.com](http://www.redingtongroup.com)

Kindly acknowledge the receipt of our communication.

Thanking you,

Very truly yours,



M. Muthukumarasamy  
Company Secretary

Cc: BSE Limited  
Floor 25, P. J. Towers,  
Dalal Street, Mumbai – 400 001



## **Redington (India) Ltd**

Q3 FY 2020 Results

Conference Call

**Feb 6<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 the Redington India Limited Q3 & 9MFY20 Earnings Conference Call. 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 of Redington India Limited. Thank you and over to you Sir!

**Raj Shankar:**

Thank you. Good evening to one and all and thank you for joining us on the earnings call presentation of Redington for Q3FY20.

At the outset, even though the industry has gone through a rough patch, both in India as well as overseas, I am pleased to share with you that for the quarter we grew revenue by 17%, EBITDA by 8% and PAT by 7%. This is in spite of taking about Rs.20 crs impact because of ProConnect and an additional Rs.36 crs on account of tax that impacted us in Saudi Arabia. Now therefore, for a brief moment, excluding the ProConnect impact out of the equation, we would have grown our EBITDA by 20%, and PAT by 35%, at a consolidated level

Now let me continue with the rest of the points. With regard to our India business, I am extremely pleased to share that as far as the distribution business in India is concerned, for the quarter, our revenue grew by 21% and our EBITDA grew by 15% and the PAT by 52%. This has been another very good quarter for the India distribution business

Likewise, when you look at the overseas markets, I am again very pleased to share that our revenue grew by 15% in spite of the market being extremely soft, EBITDA grew by 24% and the PAT grew by 27%. The good news is the distribution business, which is our core

business in India, META (Middle East, Turkey & Africa) as well as in South Asia, all three theaters grew top line, middle line and the bottom line for last quarter. If I therefore briefly look at the 9-month picture, here is how it looks like. At a consolidated level, our revenue grew by 14%, our EBITDA grew by 20%, our PAT grew by 17%, and by the way, this is after taking the impact of Rs.56 crs, which I already explained on account of ProConnect and on account of the tax issue in Saudi Arabia. If we break this down in terms of the distribution business in India, the revenue grew by 17%, EBITDA grew by 28% and profit after tax grew by 49%

Likewise, we had another solid performance from the overseas in 9MFY20, wherein the revenue grew by 13%, EBITDA grew by 21% and PAT grew by 23%. From a working capital point of view, which is something that we have been driving quite successfully at overseas, I must say with a little bit of happiness that we have managed to, again, consistently bring down the working capital in India as well. We have brought down the working capital in India for 2 quarters in a row, with a reduction by 22 days that is from 61 days in Q3FY19 to 39 days in Q3FY20. When you look at it at a consolidated level, it was 34 days in Q3FY20, which was 41 days in Q3FY19 and overseas continues to be maintaining their working capital at 30 days, both in Q3FY20 and in Q3FY19. This has led to our return ratios being quite interesting, where for the quarter, our return on capital employed at a consolidated level was 17.5% and the return on equity at 15.2%. Similarly, when you look at the same picture for the 9-month period, the working capital improved from 46 days in 9MFY19 to 38 days in 9MFY20 and here, again, there has been a vast improvement in India, from 67 days in 9MFY19 to 43 days in 9MFY20. Overseas was 35 days in 9MFY19 and 34 days in 9MFY20

Similarly, when you look at the return ratios at a consolidated level for the 9MFY20, return on capital employed was 15.3% and the return on

equity at 13.2%. This is after maintaining a strong financial discipline, where our net debt-to-equity was 0.31 at a consolidated level.

Our provisions for the quarter at the consolidated level towards stock obsolescence was 6 bps and for last year, we had a reversal of provision and with regards to provision towards bad and doubtful debt, it was 12 bps at a consolidated level, which was the same number for the previous year. Similarly, if you look at the 9-month picture, the provision towards stock obsolescence was 5 bps for the current year, which was 9 bps for the previous year. The provisions towards bad and doubtful debt likewise has improved to 11 bps in the current year, as against 17 bps in the previous year.

Now let us take a brief moment to give you some color on how the product categories have performed. If you look at IT as a vertical, it has grown at 5% for the quarter and 7% for 9MFY20. Mobility registered a very strong growth of 38% for quarter and 26% for 9MFY20 and likewise for Services, revenue growth was at 9% for Q3 and 10% for 9MFY20

Now when you break this down further, I am pleased to share with you that both the IT Enterprise and IT Consumer business have grown at a consolidated level for both the quarter and 9MFY20. Mobility has registered a significant growth, both in India as well as overseas for both the quarter and 9MFY20

Let me take a brief moment to explain to you what happened at ProConnect. While the business continues to be on a good stead where we have grown our top line marginally, our biggest issue has been our investment that we made in a company in East of India. The company performed as per the business plan for the first two years but we ended up realizing that the owner of the investee company had highly leveraged and put themselves in a serious financial crisis,

which we were a little oblivious to until recently. In the regular business, we had extended trade advance, which were accumulated and was not settled in good time. Since we wanted to be prudent in our accounting, we made a provision of Rs. 20 crs towards the trade advance as an impairment, but I must tell you, all efforts are underway to make sure that this trade advance is indeed collected and while that is happening, in any case, we thought as a matter of good prudent accounting practice, we should provide for the Rs.20 crs. This certainly has put a spanner in the works. While overall, the logistics industry itself has gone through a rough patch in the last two quarters, where most of the contracts that we are now signing with our customers is coming at lesser price and, hence, a decline in margin. Notwithstanding that, I think ProConnect has continued to make sure that we are able to keep the momentum and the customer service intact. However, this particular episode, in terms of our investment in East, has completely fractured the performance. We are hopeful that we should be able to resolve this without any significant impact going forward, but it is likely to take another quarter or two for us to completely come out of this. We have also taken sufficient measures in terms of putting a completely new team, with a change in the leadership team as well. We have reinforced people with domain expertise and we are hopeful that with this new team in place, and with our renewed focus, we should be able to get the business back on its wheels in the next couple of quarters.

Outside of this, there is only one challenge that we have had for last quarter or for the first 9 months and that is to do with the cash flow. At the consolidated level for the first 9 months, we had a negative cash flow of Rs.300 crs; essentially, with India throwing up cash of Rs.92 crs, i.e., positive free cash flow, whereas overseas had a negative cash flow of Rs.392 crs. I just wish to draw your attention to the fact that since our growth for the first 9 months has been north of 14%, therefore, even though the working capital has improved

significantly, both in India as well as overseas and at the consolidated level, because of the high growth, therefore, the amount of working capital in value terms has gone up, which has led to this particular negative cash flow. I also want to mention here briefly that the interim dividend that we have paid also led to this particular free cash flow being negative at the consolidated level. However, we are hopeful that as we continue to keep our focus on the working capital, the way we have done in India and overseas, as long as this continues, for the full year, we should still be able to generate positive free cash flow.

I will take a pause here, and look forward to taking your questions.

**Moderator:**

Thank you. We will now begin the question and answer session. The first question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

**Pranav Kshatriya:**

My first question is regarding ProConnect. We understand that there are certain issues with the subsidiary and you did talk about a slowdown in logistics, but can you actually give color on what exactly is causing such a drastic slowdown on the revenue side. We were under an impression that because E-Commerce is one of the largest sector for ProConnect, and that is still seeing a good growth despite slowdown, the growth deceleration cannot be explained since it is also a lot lower than maybe normal GDP growth. So what exactly is going wrong there? With regard to margin, even if I adjust for the provision of Rs.20 crs in the EBITDA, the EBITDA stands at Rs.5 crs versus Rs.16 crs in the last quarter so there is some escalations of cost also. Second question is regarding working capital. In H1FY20, you were roughly Rs.500 crs positive cash on working capital but in 9MFY20, it is negative Rs.650 crs so broadly the change in working capital, to the tune of around Rs.1100 crs can be attributed to this quarter. However, the working capital days does not really indicate such a



drastic swing. Kindly explain the same. Last question is on Saudi tax. Can you please explain what is the reason for such a huge tax levy and what is the possibility of this repeating in the future?

**Raj Shankar:**

Okay so I will take the last one first. See, as far as Saudi Arabia is concerned, it is rather unfortunate that on certain product categories, there were some taxes, which was arbitrarily levied by the tax authorities. Now we have taken a written opinion from one of the Big 4 firms about tax applicability on this product category, and they have issued a written opinion that there was no tax applicable so we continued to do the business. However, we received a claim/order from the tax authorities, which was of a much higher magnitude than what we could finally negotiate and settle. This is something that is not unique only to Redington; some of the other companies dealing with the same product category are also subject to this problem. We seem to be one of those early ones because of the fact that we have a substantial business in Saudi Arabia, therefore the visibility of Redington in that market is of a much higher order compared to others, and therefore, we have been the first one to get impacted. We are also trying to take a very clear opinion from the tax authorities to make sure that we have absolute and abundant clarity so that at least in the way forward, we will know definitively one way or the other, so that this can be factored in terms of our commercial transactions with the customer. To your point about the ProConnect, just want to mention a couple of things. The point here is, if for a moment, we look at the business without the company in East, where we made an investment a little more than 2.5 years ago, our growth in revenue is 40% and growth in EBITDA is 27%. Therefore, the first point that I want to share with you is that our business outside of this particular subsidiary is still on a good stead when you look at a 9-month picture. Please do not over read into what has happened in this last quarter. I do agree it is an aberration, and like I said we are putting in all the efforts to see how we can recover this, but as a matter of prudent



accounting practice, we have gone ahead and made the provision. With regard to your question on free cash flow, I will request Krishnan to respond to that question. Over to you, Krishnan.

**S. V. Krishnan:**

For 9MFY20, the free cash flow is at minus Rs.300 crs. As Raj mentioned, in this period, we have paid the final dividend in the month of July, and there was an interim dividend in the month of December, to the tune of Rs.200 crs. If you eliminate that part from our business aspect, it is still at about minus Rs.100 crs and this has happened because of the high revenue growth. We have reduced the working capital in India, and in overseas, we have continued to maintain the lower working capital for a reasonable period. We are confident by end of the year, even this should be addressed.

**Pranav Kshatriya:**

Sorry, Krishnan, to persist on this, my question is only regarding the change in working capital. In H1FY20, there was positive free cash flow to the tune of Rs. 514 crs but in 9MFY20, there is negative free cash flow Rs.660 crs so that means that roughly more than Rs.1,150 crs has been investment in working capital in Q3FY20 alone. However, the number, if I look at from working capital days does not really show this, so just want to understand how is this being accounted?

**S. V. Krishnan:**

In 9MFY20, the negative free cash flow is actually at Rs.300 crs in truly business sense. The figure of Rs. 600 crs that you are talking about is taken from the cash flow statement, which does not include the factoring that was done in the month of March. That is more a balance sheet-related factoring. The figures given in our presentations on the cash flow accounts for the above and are purely business number. Out of Rs.300 crs of negative free cash flow, dividend payout accounts for close to Rs.200 crs and hence that leaves us with only Rs.100 crs of negative cash flow, which can be explained from the higher growth. This is for 9 months. In H1FY20, there was a huge positive free cash flow, which was about Rs. 600 crs. This has become

around Rs. 300 crs for 9 months because of higher working capital utilization in Q3 vis-à-vis Q2. In September, we had huge sales because of various reasons, because of which the working capital was much lower, but was not something that can be taken as a steady-state working capital. Instead of looking at Q3 specifically, see it for 9 months. We believe this is something that we would be able to correct, if you take it for the full year of FY 19-20

**Pranav Kshatriya:** Okay thank you. That is it from my side. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

**Nagraj Chandrasekar:** A few questions on the impairment. So obviously, when we make acquisitions, over time, we learn how different businesses work and we learn about our ability to properly underwrite these businesses. Based on your experience over here, have you done any reflection or any rethinking around the capital allocation strategy? Maybe we should place greater reliance on an organic strategy, be a little more choosy in terms of what we acquire? How has this episode potentially affected the way we think about capital allocation going forward?

**Raj Shankar:** So you make a great point, and let me tell you, for the last almost 2 months, we have been grappling with taking a relook at our capital allocation policy. In fact, a good proportionate time, even in today's board meeting, went in terms of discussing some of these aspects. Therefore, we have definitely had some learning on our investments. I must also confess that probably we were a little carried away, and I am not ashamed to say that. We felt that the growth opportunity in the logistics space was a compelling reason for us to make the investment in East, because we are very under represented, and there are some marquee customers that we wanted to acquire and

hence, we made that investment. But then in hindsight, I guess we could have done it or structured it or executed it very differently. Therefore, to answer your question, there is a complete rethink in terms of our capital allocation. In addition, going forward, we will have a completely solid due diligence done and work towards a well-defined and well-crafted strategy before we make any of these investments, rather than purely chase our growth drivers, which is where we kind of came to this particular investment. So thank you for asking the question. Moreover, let me give you the reassurance that we are spending a tremendous amount of time in trying to make sure that we have a very solid coherent capital allocation policy.

**Nagraj Chandrasekar:** Thank you for that very candid answer and really appreciate the honesty. All great companies go through ups and downs, we get lots of things right, and we get some things wrong. Nevertheless, I think a good management is one that owns up to missteps and takes corrective action. So really appreciate the honesty and candor that you have displayed.

**Raj Shankar:** Thank you once again.

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

**Riddhesh Gandhi:** Congratulations on the numbers. So just a few quick questions on ProConnect. Even after excluding this write-off, the growth and the profitability is not as per what we have historically been able to do. Could you throw some color on that, and is this is transitory or will there any near term or longer-term potential implications?

**Raj Shankar:** So we see this as a temporary aberration. However, it would take 1-2 quarters for us to completely put this issue behind us. The reason I say that is a tremendous amount of management bandwidth was invested in lots of negotiations, making alternate arrangements,

getting a completely new management team in place and completely resurrecting this whole business process, business model, all of this has taken a toll and even led to distraction in some of our core business. Therefore, we are now trying to rethink through this whole thing in terms of where and how we must take this business forward. We, in fact, even have planned a complete dedicated strategy meeting only for ProConnect. To better answer your question, give us another couple of quarters. We do have great plans. We do strongly believe that logistics business for Redington is something that we want to invest and scale, and we do believe that we have built capability, but there is a lot more that we can do, and we must do. Therefore, it is not an area where we are going to defocus. It is an area we are going to double click, but it will take us a couple of quarters for us to get the house in order.

**Riddhesh Gandhi:**

The other question was our growth both in India and Overseas has been extremely attractive and good. However, I just wanted to understand, is this driven actually primarily in new logos that we have been able to attain or is it also driven by the industry? If it is the latter, then how is the industry vs our growth? Also, is there consolidation happening among distributors? So I wanted to understand if we can continue to expect to see growth on these lines or what will be the steady state growth?

**Raj Shankar:**

So if I have to probably give you a little bit of color, so the new logos would have contributed to about 15% to maximum 20% of the growth. As a guesstimate, increase in market share of the existing brands would have probably contributed in the vicinity of about 40-45% and there is a balance of about 20-25%, which will essentially come either out of new markets or in terms of new go-to-market segments that we would have approached. For instance, there are certain brands for which retail has not been in the past very strong but in the last 1-2 quarters; this has scaled up quite nicely, etc.

Therefore, the summary is new logos would have added about 15-20%; a big portion comes out of gain in market share; and there is another 20-25% that would come out of market geo expansion, as also in terms of getting and scaling up the go-to-market segments.

**Riddhesh Gandhi:**

Got it, understood. Usually, Q4 ends up being our strongest quarter. Are we still seeing that in terms of this year?

**Raj Shankar:**

The short answer would be yes, but I am also sort of tempted to say that, look, there is this very unfortunate global crisis called the coronavirus, and since China happens to be the factory to the world and also for technology products, I do expect for some kind of shipment delays or write-down in terms of the production quantities for some of the suppliers. Therefore, the jury is out, and I only hope that if this issue gets resolved and things come back to normal, we should still see a good Q4. Otherwise, we will have to wait and see how the coronavirus issue unfolds.

**Riddhesh Gandhi:**

Got it. Sir, the last question was actually in view of the coronavirus, effectively, for how long do we have inventories? In addition, if you could give us some visibility on that in terms of percentage of revenue maybe being produced in China and what the implications could be and how much inventory we are holding?

**Raj Shankar:**

I think it would be difficult. Let me give you some statistics. Now when you look at our inventory days for the quarter, we had 28 days. So that means we have less than 1 month of sales in terms of inventory, right? Therefore, that is point number one. This is at a consolidated level. So do we have enough inventory to ride over if the problem prolongs to more than 30 days? The answer is no.

The second point is that if you take India, for instance, 75%, maybe stretching to 80%, of all the shipments happen in Indian rupees. So that means all the global technology vendors, they import the product

and they sell to us in Indian rupees. Therefore, we are not directly impacted in terms of having to source the finished product from China. At the same time, we, therefore, are billed by the vendors directly. To that extent, we have to look to them to be able to plan the inventory. There is little in our hands. However, at the moment, I would say impact on shipments is very less, but if the problem were to persist, then I would like to believe then that there would be some shipment delays, and there would be production that would be curtailed and all of that. So that, we will have to see how the coronavirus plays out. Therefore, I am sorry I am not able to give you a very precise answer.

**Moderator:**

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

**Nitin Padmanabhan:**

Had a couple, actually. One is on the logistics business, is there going to be any change in the way we run that business on the Eastern side of India? Earlier, we used to lease the trucks and so on and so forth, any thoughts on how that model is going to change because of what you have seen so far? Are we likely to be more capex heavy or are there alternatives?

**Raj Shankar:**

So at the moment, we do not intend to make it capex heavy, certainly not in the transportation business for sure. But in the meantime, as you can imagine, when we have to look for alternate options, now these come at a much higher rate and tends to be more expensive. However, at the same time, since our primary focus is to provide excellent service to the customers and make sure that we continue to have the stickiness with the customers, so keeping that in mind, yes, there is a compromise to an escalation of costs, but we will want to make sure that the customer satisfaction is supreme. Therefore, we will continue to be capex light on transportation business

**Nitin Padmanabhan:** Sure. The second question was if there have been any new brands that we have onboarded recently? In addition, what are the updates on the performance of the brands that were sort of onboarded last quarter?

**Raj Shankar:** Okay. We just added a few brands, both in India as well as overseas, some on the Mobility space as well as on the IT space. I may not be able to be in a position to give you exactly specific details of each of those brands and businesses, but as I was saying to the previous caller, that approximately about 15% of the growth that we have delivered would come from some of these new brands that we have added, both in India as well as outside India.

**Nitin Padmanabhan:** I understand. The third question was on the working capital. So on the presentation, we have, let us say, there are two ways of looking at it. One is we have this line called "Changes in working capital", which is a negative number, which is a big swing from the first half. The second is that if I just look at slide 16 and slide 19, we have the working capital days for the 9 months, and we have the incremental revenue addition for the 9 months. On both counts, it looks like the reported swing on changes in working capital is significantly larger than what we would back calculate. So just want to understand that. I am not talking of the absolute free cash flow, but just specifically the changes in working capital line?

**Raj Shankar:** Nitin, can you give us a little time? I have Krishnan here with me. Just allow us to digest this point. Because it is coming up again, I want to make sure that we give you a proper answer. Therefore, can you please allow us to just shuttle back very quickly.

**Nitin Padmanabhan:** Absolutely, yes.

**Raj Shankar:** Just one second, I think Krishnan is ready.



**S. V. Krishnan:** So just to understand your query, Nitin, in the cash flow slide, where we had mentioned Rs.300 crs of negative cash flow for 9 months, the question is the change in working capital, what is given as Rs.663 crs, it does not seem to be Rs.660 crs, and it is instead Rs.1,100 crs. Is that what you are saying?

**Nitin Padmanabhan:** What I am saying is the "Changes in working capital" is a negative Rs.663 crs in 9MFY20 but this was around positive Rs. 500 odd crs in H1FY20. But the second way of looking at it is on the previous slide, if you would look at the working capital days and then cross-reference that with the revenue for nine months of current year and last year, for the incremental revenue addition, it looks like the working capital addition should have been lower, but the swing appears significantly larger on that slide?

**S. V. Krishnan:** I will come back, Nitin, give us some time.

**Nitin Padmanabhan:** Sure.

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

**Pranav Kshatriya:** My question is in the India Mobility business, you reported a very strong growth. Now what is the outlook on not only mobility but also the IT part of the business, and how you see, given overall economic situation seems to be a bit weak currently?

**Raj Shankar:** In the way forward, I am very optimistic and we as a team are very bullish towards the IT sector, particularly in Public, Enterprise, Government, BFSI and a few other verticals. We clearly see significant opportunities. However, in the past, we have consciously shied away from many such opportunities, purely because we were singularly focused on bringing down our working capital. Therefore, we have taken conscious decision to slow down the business because some of

these enterprise businesses come with much longer credit periods, which we are unable to accept purely because we have taken a focused goal towards bringing down the working capital. So while the working capital objective has been met, we now believe, as we think about trying to achieve the growth and capture the opportunities, we now are looking at ways to see how we can structure some of these deals in such a way that we can also get extended credit period from the vendor and so on. Nevertheless, suffice to say that in the way forward, we see clearly a growth opportunity on IT and on all verticals that I talked about.

**Pranav Kshatriya:**

I have one more question on ProConnect. So you did talk about the next 2 quarters being as sort of restructuring phase. Can you give us some guideline as to whether we should expect some sluggish growth like what we are seeing today? Will EBITDA be low or even become negative? How should we see for next 2 quarters, because that will help us model that?

**Raj Shankar:**

Okay. So what I would encourage you to do is, for a brief moment, as I mentioned, that for a 9-month period, minus the investment that we did in the company in East of India, the growth in revenue was about 40% and growth in EBITDA was about 27%. Just to give you a little bit of color. Now what can you expect in the way forward may not be as strong as these numbers, but certainly, we will work towards continuing our growth momentum, both in revenue as well as EBITDA. Once this current issue is behind us, then we should once again see this business rolling back to the kind of growth and performance that we have delivered in the past.

**Pranav Kshatriya:**

So for the next 2 quarters, we should be expecting a very slow growth and possibly the similar margin ex one-off, which is there today? Is that what you are trying to say?

**Raj Shankar:** Yes. When you take it at a consolidated level, the ProConnect will have a slower growth. Moreover, like one of the earlier callers had asked, we are completely taking a relook at our strategy. And to that extent, therefore, we expect that post 1 or 2 quarters, we should see the business once again back to, giving the kind of performance that we did in the past. For 1 or 2 quarters, it would be slow.

**Moderator:** Thank you. The last question is from the line of Alekh Dalal from One Thirty Capital. Please go ahead.

**Alekh Dalal:** Quick question on the provision for Rs.20 crs. It seems like you have fully provided for this, so do you expect recovery or is there is still some more provisions to be made further, if there is no recovery? Is this a conservative provision?

**Raj Shankar:** Okay. Therefore, from our standpoint, we have made provisions with what we believe is something that even though we are going to fight hard to try to recover this, but this is a call that we have taken in full conjunction with our auditors. Therefore, we have to see how these things pan out, if the person or the company is in the state of financial crisis or financial strength. Therefore, we are not able to fully predict as to how much and when will some of these be settled. Though we have all the agreements and if required, we have to go legal, we will do whatever it takes. However, I am unable to, at this point in time, give you a little more clarity. But suffice it to say that we have taken sufficient provision based on what we understand and know today.

**Alekh Dalal:** Okay. So it is not that if you do get some recovery that there will be some write-back or something in the subsequent quarters, right?

**Raj Shankar:** There will be. If we are able to recover, to that extent, there will be a write-back, surely.

**Alekh Dalal:**

Okay, got it. In terms of the changes that you have made to the business, you said you have put in a new management team. How are you sure that there are no other leakages in that asset, that you may not have found out other than this Rs.20 crs that you have provided for?

**Raj Shankar:**

Okay. That is a fair question. So what we have done is we have taken 2 important steps. One, as I said, we have brought in three senior people to completely help us to revamp this organization. There is Head of Operations, the CFO and also brought someone for business development and customer engagement. Therefore, our first priority is to try to win back our customers. These are all marquee customers and because of our service levels in the previous quarter went down, we started to lose business. So our first priority is we have now made sure we are taking complete control and complete charge of the operations and engaging with the customers and if the last 3-4 weeks is anything to go by, I can tell you, yes, we are headed in the right direction.

And to your question specifically about any further leakage, I can tell you that there is no leakage per se that you should be worried about. The point here is that we have given advances, which is in the very nature of this particular business model, because we did not want to take any transportation assets in our books. Therefore, the arrangement very clearly was all transportation needs and requirements would be done by this company from whom we have acquired this asset. However, since he had over-leveraged himself and owed a lot of money to various financial institutions and is unable to service his debt, therefore, he is in a financial crisis. Hence, we therefore were left with no choice but to make this impairment for the trade advance. Therefore, I want to give you the comfort that it is not a case of something going wrong or something that is misrepresented. It is just that our decision to give the trade advance

and sudden change in financial situation of the concerned person has what has led to this particular crisis.

**Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Raj Shankar for closing comments.

**Raj Shankar:** Thank you once again to each one of you for having participated in the call. All I want to leave with you is that the distribution business, which is our core business, has done very well for Q3 and continues to be doing very well for the 9 months. Just to repeat, for good order sake, 14% revenue growth, a 20% EBITDA growth and a 17% PAT growth for 9 months after taking the Rs.56 crs of knock-on effect. We are happy with all three theaters: India; META (Middle East, Turkey & Africa); South Asia, are all growing and growing nicely. Both the businesses of IT and Mobility has grown. Mobility has registered a very strong growth. Our working capital continues to be managed very well. India has shown marked improvement in terms of bringing down the working capital. Overall, we feel good, and we only pray that this coronavirus does not become a big global issue. Once that is out of the way, I think we are off to making sure that we have a great Q4 and end the year on a high note for FY2020. Thank you once again to each one of you. Good day. Thank you!

**Moderator:** Thank you. On behalf of Redington Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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