

4<sup>th</sup> May 2020

The National Stock Exchange of India Ltd.  
Exchange Plaza,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai-400 051.

Dear Sir/Madam,

**Sub: Investor/ Analyst Call Transcript**

This is further to our letter dated 25<sup>th</sup> April 2020 intimating the details of Analyst/Investors conference call about Business update on 30<sup>th</sup> April 2020.

In this regard, we are enclosing herewith the transcript of the Conference Call hosted on 30<sup>th</sup> April 2020. The same is also available in the Company's website: <https://redingtongroup.com/india/>

We request you to kindly take the above information on record.

Thanking you,

Very Truly Yours,

M. Muthukumarasamy  
Company Secretary

CC: BSE Ltd.,  
Floor 25, P.J. Towers, Dalal Street,  
Mumbai-400 001.



**Redington (India) Ltd**  
Business Update Conference Call

**Apr 30, 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 Business update 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 '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raj Shankar, Managing Director, Redington India Limited. Thank you and over to you, Mr. Raj Shankar.

**Raj Shankar:**

Thank you, Neerav. Good Evening to all the participants. This is a very unusual and a very extraordinary time where no company, no Government, no individual has ever seen a crisis of this magnitude and this scale. Now, from a Redington standpoint, we are certainly doing our best to try and cope during these difficult times, but before I continue I would like to certainly take this opportunity to express our deepest sympathy and strongest solidarity towards all the people impacted globally. We would also like to applaud the heroism of individuals who are working tirelessly and without a thought for their own well being in an effort to help us combat or contain this pandemic. Coming back from a Redington standpoint, we have set out two very important focus areas. First, we have ensured that our people and their families are safe across all the markets that we operate and second and very importantly, we have ensured perpetuity of Redington, so in other words do everything possible to help the company survive during these extraordinary times. Now, it may appear to you like a cliché but we had set out to do what we would like to call as seven C's. The most important aspect for us is to ensure that the company has adequacy of **Cash flow & Capital** and liquidity to ride over this difficult period. I say with a lot of humility not knowing what the future holds though we all know that things going forward can look worse, but we are reasonably well prepared and covered in India, in META, and in Singapore, with regard to our cash flow. This would not be possible but for the fact that in most of these geographies, we have managed to ensure that not only have we kept sufficient cash to ride over this period when business is at a low ebb, but more importantly to take care of all the operational expenses of the company for at least one to two quarters.

Thereafter **Collections** is another important aspect for us. Since this is a period where we are unable to do business as there is lockdown in most of the countries that we operate, a significant portion of the time of our sales people and business people is spent towards engaging with our channel partners/customers and again, I wish to share with you if the last 29 days of April is a small indication, I think thus far the company has been able to reasonably get some of the collections banked. This is true both in India as well as outside India. The fourth most important aspect is **Costs**. Given these difficult times notwithstanding how much of a cash and capital you may have, the accounts receivables are coming in at a particular pace and hence, we also wanted to make sure that we are extremely frugal with regard to our costs. Like many other companies, we have taken decisions such as recruitment freeze and no revision to compensation. We are also making sure that many of our costs are reduced through hard negotiation and bargaining, so we are making sure that every single Rupee that we are spending is something that we are doing after a lot of negotiation.

The next is about **Channel Partners/Customers**, needless to mention but for them we would not be in business, so we are making sure that we are trying to find ways and means of working with our partners to ensure that they continue to be in business and we can support them in very many ways and if we are able to be their trusted partner and trusted advisor during these difficult times, we strongly believe that they will become a long term strategic partner of the company. The next is about **Contracts**. As a technology distributor, we value the numerous distribution contracts that we have with the global technology companies, so while we are certainly pushing them very hard towards giving us better payment terms and also giving us other support, we are also trying to collaborate with them to make sure that at the end of the day, they see us as a very formidable and a very worthy distributor. The other C is about **Controls**. Notwithstanding, how these things will play out, we are making sure that in every single aspect of our business, we are putting in serious controls whether it relates to expenses or purchases or credit or to do with capex. For instance, we are making sure that in H1, we are not going to be putting money on any investment, we are pushing it to the second half of

the year, so suffice it to say that from a controls point of view, we are trying our best to make sure that we do not have any negative surprises.

Just want to give you a little quick color to what is happening both in India as well as outside India with regard to the business. Now, there could be a concern with regard to the fact that while on one hand, the company prides itself in operating in a number of emerging and potential markets outside of India, these are times where you could be worried as to how the company is managing, coping and navigating itself during this crisis. Let me give you an assurance and if April is any indication to go by, I think thus far we have managed every single business in every market reasonably well. I certainly do not want to give you the impression that everything is hunky dory, but what I certainly want to share with you is that we are doing everything possible to ensure that our relationship with vendors and partners are served well, whilst at the same time we are making sure that in spite of all the difficulties, we have still got the numbers up on the board, may not be as much as we did the previous year, not as much as we would like but under the given circumstances, I think we have done reasonably well thus far.

The other thing that we observe is during this period we see some of our competition in some of the markets become a little weak, in some ways this certainly offers an opportunity for us to solidify our position. Now, to give you a sense about how the outlook with regard to what IDC and some of the others have to say, you will be pleasantly surprised that according to IDC, in India, the spend on enterprise products which includes servers, storage, network, software, security, cloud etc., which is a \$ 9.8 billion business opportunity is poised for a 12% growth this year. However, the PC devices are likely to degrow by a double digit of over 20% and it is estimated by IDC at 8.2 million units. Smart phones likewise are expected to have a 10% degrowth, but the total number of units estimated by IDC for the current calendar year is 136 million units. Now, for a minute when you look at the situation outside, if you take META (Middle East, Turkey, and Africa), again according to IDC, the IT spend is likely to degrow by 5.8%. However, when you look at individual devices like PC, laptops and tablets, as a complete category is expected to degrow by 11%, Mobile phones by 9%, and enterprise infrastructure by just

2% whilst software, licenses, cloud, etc is expected to grow marginally at 1%, so the long and short of what I am trying to mention to you is while the some of the IT spend is likely to degrow, there are pockets of opportunities where we clearly see that the future is going to be very technology and digital driven. We see a huge growth opportunity post COVID 19 for Redington in this business. If we are able to survive and navigate ourselves out of this crisis, which I can give you thus far we seem to have managed well, we are likely to emerge stronger than we entered COVID 19, and therefore, our outlook for this industry and for the markets we serve appears to be very robust and more positive than what it is today. With this, I hand it over back to Neerav and to all of you if you have any questions please.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:** Sir, just a quick question, historically you guys have had extremely low delinquencies on your accounts receivables, which has allowed you to effectively operate on a reasonably low profit margin. In this environment where a lot of these SMEs/ Small retailers and even Large retailers who have got large rental expenses but no business could potentially be stressed and distressed and end up going under. So do you see the potential risk of high delinquencies on a reasonably large accounts receivables and what are the steps we are taking to kind of mitigate against this risk?

**Raj Shankar:** It is a very good question and very pertinent. First, we are approaching it in three ways. I would like you to know that most of the receivables that we have are credit insured, so if you look at in the Middle East close to 96% of our receivables are credit insured, and in India our credit insurance cover would be north of 73%-74%, so the first point that I want to give you as a comfort is that most of our accounts receivable are credit insured. Even in the cases where they are not insured is purely because we have certain payment terms or these are customers on whom we have a high degree of confidence in terms of their ability to pay supported by strong balance sheet. The second important aspect is that as you would know in all these cases where we deal with SME partners, we collect postdated cheque so to that extent we do have the

cheques, and therefore, we are reasonably confident that most of the partners will make sure that they honor the cheque as there are implications otherwise. The third and very importantly, our sales team and our credit/risk team is in continuous and constant engagement with each and every partner. I want to share with you that our risk officer starts his day at 6:30am every single day and every day they have to report back on whether they see any increase in the receivable going bad. Thus far, it appears that we are reasonably confident that once this lockdown is lifted partially or fully, we should be able to collect our receivables. We are not getting any signal so far that our receivables are at risk

**Riddhesh Gandhi:** Who is the insurer?

**Raj Shankar:** We have different companies in different markets, it could be Markel, Euler Hermes, Atradius, etc.

**Riddhesh Gandhi:** The other question is with regions like the GCC etc. where we are like reading reports that there could be material economic impact given the tourism in Dubai etc. has stopped and is expected to be off for a reasonable amount of time. With the overall population being fairly less as these are largely ex-factories, do you see impacts of a large slowdown happening in those regions leading to possibility of having to scale down operations? How nimble are you and in case the demand is back, how would you look at recalibrating the operations to ensure the profitability?

**Raj Shankar:** Again, a great question, as you would know in most of the markets we operate both on the consumer space as well as on the enterprise/commercial/corporate space and it is not that we are over dependent on one or the other. Secondly, it is very interesting even during these times on account of the work from home model, the demand for laptops and numerous other devices like a portable printer, home Wi-Fi, etc is in high demand. We believe that this is going to become the new way of working not just during the COVID 19 period, but even during the post-COVID 19 period, so we have huge demand for laptops more than we can even serve for now, but unfortunately given the current situation of lockdown we are not able to buy or receive the material or deliver the material, but we believe that this is certainly going to become a

very big opportunity which is what I said during my opening remarks that we are seeing both technology and digital to be a very big opportunity and a driving force, and therefore, we are only hoping that post this COVID 19 it is going to boost our sales, notwithstanding whether it is online or offline.

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

**Pavan Ahluwalia:** Thank you very much, just wanted to focus a little bit more deeply on the two issues of account receivables and actually inventory, so I would assume on the accounts receivable that the part that is not credit insured as you said would be receivable from a large retailer like Croma, etc or just very strong balance sheet where the risk of default is very low. So the accounts receivables from even mid-sized companies or certain small retailers, small shops etc would be credit insured. Could you explain exactly how credit insurance works? What kind of defaults are covered versus not covered by credit insurance? Is it your view and the view of your lawyers that in spite of whatever has happened right now, you will actually be able to make claims, despite force majeure type implications? The second area where if we could get your thoughts is inventories, so historically we have seen in the past that at points when we have had to bulk up on inventories ahead of the curve and then there is a fall in the price of the finished goods, obviously we end up taking the hit. How are we feeling about the stock of inventory we are holding right now? What is happening on the price of that inventory? Could you give us some color or dimensions on the extent of inventory hits that we may have to take, if any?

**Raj Shankar:** I will take the second question first, now let us take for example in India, our inventory levels basis our normal sales is anywhere in the vicinity of about 20 days or even less, so the first thing that I want to tell you is the value of the inventory that we are carrying is way below what our normal inventory levels are, typically as you would know, we would have inventories closer to 30 days, so now we have inventories which is just 20 days basis our normal sales. Secondly, if we look at our ageing of inventory and there again I want to give you the comfort that as we speak probably somewhere in the vicinity of about 20% and 25% of this inventory is ageing. The bigger challenge for us is it is not so much about ageing of inventory, but it is about most of these are against



back-to-back orders, so we were consolidating these products in order for us to be able to deliver to our partners and eventually to our customers. Around 65% to 70% of that inventory is all against back-to-back orders, so to that extent, the price is clearly established, contracts are in place, customers have still not cancelled those orders, so we feel reasonably confident that we should be able to manage given that the value of the inventory is very much under control and the ageing is not worrisome and since they are covered on a back-to-back basis, we should be able to address this issue

**Pavan Ahluwalia:** Just one follow up question. If it is about 20-25% of India inventory that is not covered back-to-back, so that is what is potentially at risk to some impairment depending on what happens to pricing? Also, what about Middle East and other markets? Can you give us some color on both IT enterprise and mobility and both India and Middle East exactly like we just did for India enterprise?

**Raj Shankar:** Maybe, I did not articulate well, Pavan when I talked about 20 days, it is the inventory at consolidated level.

**Pavan Ahluwalia:** Is it concentrated in any particular geography or is it mostly IT enterprise or is it mostly mobility?

**Raj Shankar:** A good part of that is at the price and therefore we believe most of the enterprise orders in our case are normally back-to-back, but yes there would be some stock itself. There is a huge demand for the products and we are reasonably confident that we would not have to suffer any erosion of margin on account of price drop etc.. Notwithstanding all of that, Pavan as you would know, as a matter of rule we apply a stock provision towards any inventory that is ageing in different buckets and we have already made provisions for all the inventory that we are carrying as at March 31, 2020, and which is what we will do as at April 30<sup>th</sup> and so on and so forth. Therefore, the summary comment is that the consolidated inventory is about 20 days of normal sales; majority of it is on a back-to-back basis; and since we believe that whatever is ageing is already provided for not that it therefore allows us to discount, but to that extent any potential hit is already factored enough and more. As we quickly look at receivables, I would request Krishnan to give a little more color and clarity on this. Krishnan, over to you.

**S. V. Krishnan:** Thank you, Mr. Raj. We have been taking this credit insurance for a long period and I can say that there has been no instances of our claim being declined by the credit insurance company. We have also checked on the force majeure clause and since these are global insurance companies, the force majeure is not applicable and so we do not foresee any challenge there. In terms of operational aspect, if there is a default, the insurance company covers up to 85% and the balance 15% has to be to our account, so we are quite confident that if it comes to that, we are confident of getting compensated adequately

**Pavan Ahluwalia:** So, the value at risk is 3-4 days of inventory that is kind of not back-to-back and in terms of AR, worst case scenario is impact of ~15% of the defaulted ARs. This is the kind of maximum impact that we would expect to see on impairment in terms of earnings or balance sheet etc. and the rest of the impact on the business is just on growth, how we do relative to competition and how fast growth comes back etc., is that fair to say?

**S. V. Krishnan:** That is right. That is a very fair comment.

**Pavan Ahluwalia:** One last question, I am very glad that the company and its employees are safe as that is the most important thing. But I am just curious to see, Raj, what keeps you up at night, is it this ~15% default AR impact plus 3-4 days of inventory or is it growth or is it just making sure that the operations run effectively during this time of stress and lockdown?

**Raj Shankar:** Great question, Pavan, so initially I must tell you initially we were coming to terms with this whole crisis. There were a lot of uncertainties and different governments operating in different ways, so therefore we had to play by the ear. We had to play by each day having to really plan and prepare ourselves and be that agile organization that we always wanted to be, so initially it was a lot of tension, difficulty and challenges. But I think in the last 3-4 weeks I do not want to sound very confident or be too overconfident, but I can tell you I am so proud Pavan. Trust me I want you to even talk or meet some of my folks at the right time. I was the biggest skeptic to this work from home, I was not even sure this would work in a very transactional business like technology distribution, but I can tell you it is working magical. I think our people are doing an amazing job. I am so proud of the way the Redingtonians have

managed it. I am unable to say it more at this stage but suffice it to say you will be proud when we finally share with you some of the details, it is not so much to do with numbers, but how we are going about it. Just to give you one or two examples. When we wanted to bring down the receivables and improve collections before March 31<sup>st</sup>, our employees managed to request and persuade many of our channel partners where the due date was in April to pay it in the month of March itself.

So what I wanted to say is people was my biggest concern to start with whether they will be able to adapt and adopt to this new way of working, so I can tell you that is no longer a cause for concern. The thing that worries me the most is making sure that we have adequacy of cash flow and capital which can really help us even if the next 2-3 months were to be on a lockdown. We want to make sure that we are completely and sufficiently prepared. On that, again without sounding audacious, trust me, our team has done a fabulous job and we are reasonably capitalized and our liquidity position is in a good state. This is what worries me not knowing how long this situation will last

**Pavan Ahluwalia:** Even if it continues for far too long, we would not be incurring fresh accounts receivables. So all that it would mean is that there would be this impact of 3-4 days of inventory that is kind of not back-to-back or any discount on that and in terms of AR, worst case scenario is impact of ~15% of the defaulted ARs?

**Raj Shankar:** That is one way to look at it Pavan, you are right, but then if this is going to be at a grinding halt then obviously you are incurring a certain amount of fixed costs. We will have to then start taking a hard look at costs and take some tough and harsh decisions and let me tell you on that, we are preparing ourselves for three scenarios like every other company I guess, so we call that as a moderate impact, significant impact and severe impact. For now, we are preparing ourselves, everything is in place keeping significant impact in mind. A severe impact would mean that the whole year becomes a big drag or becomes sort of a very subdued business and we are yet to come to terms with. However, I can give you this comfort that on a significant impact which means let us say Q1 turns out to be a very subdued business and Q2 is a period of recovery and it is only in the second half of the year you hit normal

and above normal and I can tell should that happen, I think today I have reasonable confidence that we should be able to navigate ourselves in the way we have prepared to face this significant impact scenario, but God willing if it tends to be moderate then it would be a completely different game altogether.

**Pavan Ahluwalia:** Thank you very much and thank you for the excellent leadership you are providing. As soon as the lockdown is over, we would love to come down to Chennai as I am sure other shareholders will and congratulate the team in person for how well they conducted themselves.

**Raj Shankar:** Thank you Pavan, really appreciate your comments.

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

**Aditya Bagul:** Sir, Good Afternoon and thank you so much for patiently answering all these questions and for your candor. I had a couple of questions, first is when we look at FY '21, what is the kind of trench do we see in the first half of the year after which as you highlighted earlier? How deep is this trench in the first half of FY'21?

**Raj Shankar:** When you talk about trench, are you referring to the degrowth?

**Aditya Bagul:** Yes, the degrowth in revenues

**Raj Shankar:** If you look at overall for the first half, our view is probably in the vicinity of anywhere from 15% to probably going upwards to 20%.

**Aditya Bagul:** Sir, the second question that I wanted to ask is over the last 2-3 months, what is the change in terms of the narrative from some of our key customers like Apple, HP, Dell, Cisco, etc? What is the change in narrative let us say in from February to April?

**Raj Shankar:** Yes, it is a great question. First of all I must tell you, some of these vendors have voluntarily come forward and extended help by extending payment terms and giving us different kinds of support, so I feel very gratified that this is the time where I genuinely feel to be a proud Redingtonian because of all the

relationships that we have had, we seem to be blessed with good support thus far. Now to your question about narrative, yes they are all aware that probably April is we all know is going to be very, very low in terms of numbers. They are expecting things to pick up actually from May second half and June onwards. I was very surprised that they are not talking about a change in their numbers beyond this current quarter, so in other words they are all planning towards how to get the Q2 up and running and nobody is talking about revising it downwards. The vendors are ready to come forward, are ready and willing to help and they are also looking at the role of a distributor to be more than just a broadliner to be a value-added distributor. This is where we are seeing that the kind of engagement they want us to have with our partners and the engagement they have with us is more about how can we deliver different kinds of webinars, E-learning, and virtual training and so on and so forth. IT products are not treated as essential products, they come under the non-essential category and yet if whatever little numbers that we have been able to deliver thus far is largely to do with software and cloud and so on, so they are also looking forward to seeing how we can together work and scale up some of these opportunities. So, in summary the narrative is the following; beyond Q1FY21, they are looking at almost business as usual in Q2 and beyond.

- Aditya Bagul:** Thank you so much and wish the entire team all the very best.
- Raj Shankar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.
- Pranav Kshatriya:** Thanks for the opportunity. Can you give us some sense on what portion of markets are currently open or in some way or the other is business happening?
- Raj Shankar:** What we do is we have some kind of metrics that we plan and prepare to get a sense of operations. We take into consideration various criteria like places where you can operate your warehouse, places where you can have deliveries to customers possible, banking operations is possible, places where we can physically go out, meet customers and do business/ collections and work from

home. We, therefore, take country by country and look at these metrics. If I can give you one or two examples, if you take for instance United Arab Emirates from two days ago the level of activity in the country has increased from ~15% to ~30% today. Similarly, Saudi Arabia which again was at ~15% until two-three days ago is now at ~30%. A place like Turkey is currently at about ~50%-55%, because even though the warehouse operations is limited, but everything else like deliveries, banking operations, collections, etc is possible. The place where you could say it is at a very low ebb would be Nigeria where the business is almost at sub ~5% and probably the next place will be Uganda where until a couple of days ago it was almost closer to zero. Other than that, most of the other places could range from ~15% to upwards of ~50%-60% if that answers your question.

**Pranav Kshatriya:** Yes, it does, and can you tell us where India is in this?

**Raj Shankar:** It would be somewhere in the vicinity of about ~20%-25%. One clarification, I am not giving an indication of sales, I am giving an indication of what activities are possible and to that extent to what extent is the market opportunity available, it may not give you necessarily what sales numbers we may have done, I just thought I will clarify. Thank you.

**Pranav Kshatriya:** Sir, second question is with regard to Africa, we have seen this whenever the oil prices and the commodity prices collapse, typically it does not end well especially in the African regions. And Nigeria had seen a sharp devaluation last time around when the same thing had happened, so are you taking any steps to reduce either exposure or how are you looking at it from a risk management perspective and not only relating to this the COVID 19 related drop-down but the from any such impact as well?

**Raj Shankar:** It is a very good question and by the way the situation is no different than what it was in the earlier occasion. Even this time around there has been a devaluation already. As you would know, 92% of the earnings of Nigerian economy comes from oil and since the oil prices have declined steeply, it is certainly hurting them in very many ways. The one thing that we did after our last experience, this is something that you will be happy to know is ~85% plus of our total business we do in Nigeria is Dollar denominated, whereas until

then we used to also have business happening in local currency. We then moved and changed the model because we did not want to take a currency risk and we also did not want to come under the vagaries of whether a country has got Dollars. Even though we may have imported the products and we have to pay to the suppliers, but if the country is impoverished with regard to Dollars, then we would be impacted. So what we have done is we have changed the model, and even though this has resulted in our business having gone down, but we have moved more than 85% of our business to a Dollar denominated model. So if we do not get the Dollar, we do not do the business and to that extent our exposure and risk both are reasonably under control and managed well.

**Pranav Kshatriya:** Sir, the last question is regarding cost reduction, can you give us a sense of how much is our run rate cost which is fixed in nature and what sort of reduction one can look at after this cost reduction measures you have taken?

**Raj Shankar:** What I can tell you at this stage is, this is something that we are putting in a lot of time and energy. I will give you, I am sure you would agree with me it will be a very difficult to give you a sharp number, but I will tell you conceptually how we are trying to address the problem. Whatever is the decline in the revenue, we are trying to make sure to that extent or closer to that let us say 70% of that we try and manage to reduce our cost. For the purpose of discussion if the reduction in revenue is 15%, we want to make sure that we cut our costs to that extent or at least ensure that we do not go below 10% cut in the cost. Does that help?

**Pranav Kshatriya:** Yes Sir, that is very helpful, thank you, and all the best for the future.

**Raj Shankar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Mike Sell from Alquity Investment Management. Please go ahead.

**Mike:** Two questions, firstly could you apprise us on how ProConnect is doing in this lockdown situation, and secondly, there is a transition to 5G when it comes to

smart phones, whilst that maybe delayed, putting aside COVID 19, could you talk about how you see that impacting you in India?

**Raj Shankar:** If I may answer your second question first, with regard to smartphones in India, while we have tie ups with 3-4 brands, there is one brand which plays a significant part of this. Now, on that we are still seeing demand for the earlier 4G version, we are not seeing any impact at least for now for not having a 5G. I do not think there is any negative impact on account of not having 5G so far with the brands that we distribute in India, so to answer your question, no impact so far.

**S. V. Krishnan:** As regards ProConnect, being in the logistics operation with warehouses across, this lockdown has been bad in terms of logistics business. About 170+ warehouses are there for ProConnect and initially only essentials were being allowed. Since we also deal with essential goods like Pharma, etc, only those warehouses were in operation. In the initial stages, we had been running about 10% of the total warehouses which subsequently got increased to about 20%, but as you see now in the last 304 days, there are lot more places which are Green zones and Orange zones where things are getting eased up, so I think gradually things should come back to normalcy. Once lockdown is removed, things should be properly in place.

**Mike:** Thank you. Just one follow up, when do you think 5G will come to India?

**Raj Shankar:** That is a tough one for us to answer, I am afraid I will have to tell you I do not know.

**Moderator:** Thank you. The next question is from the line of Aman Rathi from Morgan Stanley. Please go ahead.

**Aman Rathi:** Sir, my question is how do you see the impact of this COVID 19 situation in the overall logistics sector, not about only Redington but how the third-party supply chain is actually getting affected?

**S. V. Krishnan:** There are two types of billing that are in vogue in that sector, one is the fixed model billing and second is basis the volumes and the transaction, so fixed model billing is something that will continue but in the other variable model,



the billing changes on account of the volume changes during the lockdown period. With respect to outlook, if there is one sector which is expected to do well after COVID 19, it is expected to be the logistics, so we are only getting ourselves prepared once the things come back to normal.

**Moderator:** Thank you. The next question is from the line of Rajeev Agrawal from DoorDarshi Advisors. Please go ahead.

**Rajeev Agrawal:** My first question is we have been market leaders in META and we have been trying to get market leadership in India, so can you talk about given the competitive dynamics and some of the disruption we are seeing in the marketplace, how does that position us, do you think this strengthens us or can you just talk about the relative positioning of Redington versus other players?

**Raj Shankar:** Excellent. The leadership position that we enjoy in META continues. It is a little too premature at this point in time to say whether it has further put us in a even stronger position, but I would like to believe if I go by certain markets in overseas it appears that some of the other competitors are playing down and seem to be in a relatively weak position, but it is too early to come to any conclusions, maybe they are taking some precautionary step for now, so the long and short of this is overseas we continue to be in a strong leadership position. As far as India is concerned, yes, in a way of speaking we are men of equal with one other solid player, so we believe that this year but for COVID 19 would have been a very defining year for us in India, but I would like to believe that in spite of COVID 19 we are still reasonably optimistic in terms of the outlook, and therefore, we believe we would be a very strong player. Now whether we would be relative to others, whether we are likely to emerge stronger than them at the end of the year, I would not know, but I can give you this comfort that we were getting ourselves really prepared to make sure that in India this year was something that we wanted to come out as a very strong solid formidable player, probably our plans have got diluted a little bit but our goals have not changed and we still want to drive, so we believe that we would be a good, serious, formidable competitor as we had planned.

**Rajeev Agrawal:** My next question is around the supply chain, I think you referred earlier where you said that you have good orders and in some cases you might not have the supply, so can you talk about the supply chain how quickly are the goods getting replenished where you have orders and what are your plans post May 4<sup>th</sup> in India assuming the lockdown gets lifted?

**Raj Shankar:** The good news is that in India almost about 80% of all the purchases are done in Indian Rupees, which means most of our suppliers give us the products locally, so the onus is on them to make sure that they import the stocks and keep the material ready so that post lockdown they would be in a position to be able to supply us, so we believe like I said earlier our engagement with our key vendors and key partners is still very good, so we are in a good position. Yes, our current inventory levels may be much lower than what we would like, but I think we are reasonably confident that once the lockdown is lifted we will quickly swing into action and we are just waiting for it, we have planned well we know how do we want to go about it, we know our priorities well, so to give you the comfort from a supply chain point of view, the vendors seem to be better prepared in this last one month to one-and-a-half months though very little business would have happened, so I expect that if the lockdown were to be lifted then we should be able to quickly swing into action and get our inventories that we need and supply to the market, so I do not see that as a limitation.

**Rajeev Agrawal:** Lastly, if I look at your P&L and I look at your operating leverage and now that the most of the cost is related to the cost of goods, but the rest of the operating leverage how do you think that plays out as we go down in Q1 quite significantly and then ramp up for the rest of the quarters in FY '21?

**Raj Shankar:** My request to you more so during these times would be ideally you should be looking at a full-year outlook or a full-year perspective, because it is possible that a particular month or a particular quarter can turn out to be a little subdued, and therefore, when you talk about operating leverage it may be a little bit of an unfair comparison because during this period it could be operating deleverage rather than operating leverage, but to answer your question this is something that we are extremely clear in our mind that we should be able to manage to bring down our cost to the extent or at least to a

large extent if the revenue were to decline which one of the earlier questions I had answered if supposedly there is a 15% degrowth in revenue then we want to make sure that our costs are also reduced to that extent, but at least to the extent of 70% of the degrowth which in this example would mean about 10% is something that we must manage to reduce cost and we know which are the areas and how to go about it, so we have got our playbook ready.

**Moderator:** Thank you very much. Ladies and Gentlemen, that was the last question for today. I will now hand the conference over to Mr. Raj Shankar for closing remarks.

**Raj Shankar:** Thank you Neerav. Thanks to each and every participant for joining the call today and giving us an opportunity to give you an update. Overall, my view is as I said we are putting lot of our focus and making sure our people are safe and at the same time we are doing everything that we possibly can to make sure that Redington survives these difficult and torrid times and we are prioritizing cash flow and liquidity as our main focus area. Thus far, we seem to have managed well and we all know that probably the difficult days are ahead of us, but we are ready, prepared, and we feel reasonably confident to be able to navigate and with the assurance or with the clear hope that post this COVID 19, we would emerge stronger and we see bigger and brighter prospects for our industry. Thank you once again. Good day to all of you.

**Moderator:** Thank you very much. On behalf of Redington India 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***