



“Creative Peripherals & Distribution Limited Q3 & 9M FY2019 Earnings Conference Call”

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Moderator: Good morning, ladies and gentlemen. Welcome to the Creative Peripherals & Distribution Limited Q3 and 9M FY19 Results Highlight Conference Call. This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ketan Patel, Chairman & Managing Director, Creative Peripherals & Distribution Limited. Thank you and over to you Mr. Sir.

Ketan Patel: Good morning everyone. Welcome to Creative Peripherals & Distribution’s Limited maiden earning conference call for the Q3 and 9M ended December 31st of the financial year 2018-2019. I would like to begin by expressing my gratitude to all of you for taking the time to join us today. On the call, with me today is Mr. Abhijit Kanvinde, our CFO and Mr. Vijay Advani, the Whole Time Director of the company and Bridge IR, our Investor Relations team.

Since this is our first conference call, I would like to introduce our company and reflect on the progress we have made since inception. I would like to put our performance in a strategic context and throw some light on the foundation we have been building for our company and the growth prospects in the near future.

Our company started as a small proprietary trading concern, named as 'Creative Computers' with 10 employees back in 1992. Today with a pan India presence with more than 25 locations and more than 3000 products and 5000 distributors we are market entry and pan distribution specialist for global renowned brand.

Our supply chain management is flexible and agile to meet the dynamic changes of the growing consumer electronic market in India. Over the years, we have managed to stay ahead of the competition by being nimble footed and quickly adapting to all the changes that the distribution business constantly demands. It is our stated mission to evolve as accomplished modern retail and e-commerce distribution specialist in the Indian and the Middle Eastern markets.

We are a market entry specialist for all new brands desiring to enter these regions and address all the three channels, online, retail, and general trade. We have a unique value-added distribution model, which is difficult to replicate which is an entry barrier in itself. We provide end-to-end solutions starting from market research and competition analysis for brands and recommend viability in specific regions across India. This requires specialized skill sets and experience along with adequate market intelligence. We then prepare a strategic plan for market entry for brands and their target segments.

Our plans are updated and monitored regularly. Further, we then also conduct presales activities and marketing activities for the success of the brand as well as to enable our channel partners to leverage on their expertise. We are among the very few large distributors who conduct specialized training modules, events and promotional activities at the ground level with our channel partners. This is possible due to the

dedication of our people and our experienced team which constantly track latest market developments to build a closer market connect.

Our Company has a unique and specialized process, which works very closely across channel including large format retail, e-commerce and specialized retailer in all regions. We conduct regular workshops, demos for resellers with our dedicated corporate and retail sales team. Our Company's wide range and superior logistics capabilities help us provide end-to-end services to customers including warrantee and post warrantee, high level repair services, response Centre among others.

Currently, we have a strong long-term association with more than 25 globally renowned brands, which we categorize in four divisions namely, IT, Lifestyle, Imaging and Security products.

In IT products we offer an entire range of IT product like peripherals, printers, supply, PC components, storage, etc. This wide spectrum of product offered from multiple vendors has helped our company to achieve economies of scale and provide customer a single sourcing point. We have many exclusive distribution agreements and innovative distribution channels.

The Lifestyle product has been changing rapidly. Products are now moving from utility perspective to experience. We offer wide range of products from TV, headphones, projectors, etc.

In Imaging we have an entire range of cameras, lenses, backpacks, imaging accessories, etc. This category is growing aggressively as this is going to revolutionize the way people take images. Our company is setting up innovative distribution channel, training employees, helping client developed content to give a whole package of experience to the

end consumers. The industry is moving from innovative products to user experience at all touch points and being closer to the customer.

In Security, we understand the growing needs and demands for security products and are expanding in that direction rapidly. We are evolving into major players in the security category with exclusive arrangements with global giants in this segment.

Our focus is on higher operational efficiencies and adding higher margins and value-added products to our existing product portfolio and this association is a concrete step towards that direction. We are confident that we will be able to grow stronger from here and continue to scale new heights.

I would like now to take you all through key developments during the 9M FY2019 period.

The world-renowned brand Honeywell has entered into an agreement with us where we can design, package and do contract manufacturing of SKU products under the Honeywell brand name. The design IDs of this manufactured product are owned by Creative Peripherals. This distribution agreement is for India, SAARC and now for Middle Eastern countries. Under this agreement, we have launched two variants of Zest Wireless Chargers, which is much needed of the hour and we expect huge demand for such products in India and abroad. These Zest Wireless Chargers are Qi certified, importable and elegant design and are compatible with all Qi enabled smartphones. Our Company has guaranteed protection with built-in over current, over voltage and over temperature.

Honeywell has also extended the trademark licensing agreement whereby expanding our product offering to six countries including India,

SAARC and countries in Middle East like Saudi Arabia, UAE, Bahrain, Oman, Qatar and Kuwait.

Our Company also has an exclusive agreement with GoPro Inc., to distribute their products in India since 2016, which gives our Company an edge in the growing market of camera. GoPro is a market leader in Flat Length Camera in the world. GoPro officially launched their most awaited camera HERO 7 in three variants, HERO 7 - Black, Silver and White. This camera was launched in India in October 2018, three days ahead of any other country outside APAC region and received significant traction across e-commerce platforms and the modern trade and photo specialist stores. The top most selling model HERO7 Black received an overwhelming response with selling more than 1000 units in the first week itself on the ecommerce giant platform.

I would like to further add that our company is sole and exclusive distributor for InVue security products across India through its national wide network. InVue has brand partnership with Apple, Samsung, Google and Huawei in US with 75% market share. The demand in the market is growing for such retail security products and our company expects to ride the growth wave by entering this fast-growing product segment. We have bagged and successfully executed an order of InVue products of over USD 345,000 in the month of December 2018.

Our Company has also entered into an agreement of selling and marketing of Phillips Digital signage products and DAEWOO, MEPL LED TVs in India. Our Company continues to focus on market penetration and distribution of experiential lifestyle products.

I am also happy to share that the Board of Directors have approved the company's migration from NSE SME exchange to the NSE main board exchange. This is in line with the vision of the company to evolve as an accomplished modern retail and ecommerce distribution specialist in India and the Middle East markets.

So, from an overall business prospective this is all from my side. I will now hand over to Mr. Abhijit Kanvinde, our CFO who will take you through financial performance of the company for the Q3 and 9M ended December 31st, 2018. Thank you.

Abhijit Kanvinde: Thank you Sir. Good day to all the participants. I will share the highlights of our financial performance following which we will be happy to respond to your queries.

Our company has achieved net revenues of Rs. 99.97 Crores for Q3 FY19, which is a significant year-on-year growth of 63% from Rs. 61.18 Crores in the same quarter last year. This is mainly on account of strong growth driven by key business divisions of imaging and IT specialty and niche brands like GoPro, Honeywell and ViewSonic.

The EBITDA stood at Rs. 3.65 Crores in Q3 FY2019, an increase of 58% as compared to Rs. 2.3 Crores in Q3 FY2018 on the back of higher revenues and improving operational efficiencies. The profit after tax for Q3 FY2019 is at Rs. 1.42 Crores as compared to Rs. 0.84 Crores in Q3 FY2018, this represents a growth of 70% year-on-year. Our EPS in Q3 FY2019 stood at Rs. 2.44 registered a growth of 69% as compared to Rs. 1.44 in Q3 FY2018.

Now I will turn to nine months ended December 31st, 2018. The net revenues stood at Rs. 256.51 Crores, it is a significant year-on-year

growth of 48% from Rs. 172.79 Crores in the same period last year. This is mainly on account of strong growth driven by key business of imaging and IT specialty, especially niche brands of GoPro, Honeywell, Olympus and ViewSonic. The EBITDA stood at Rs. 9.14 Crores in 9M FY19 an increase of 73% as compared to Rs. 5.3 Crores in 9M of FY18. The EBITDA margins was 3.6%, an improvement of 50 basis points year-on-year on account of increase contribution of high margin value-added products like imaging and IT. The profit after tax for 9M FY19 is at Rs. 3.43 Crores as compared to it was Rs. 1.99 Crores in 9M of FY18. This represents a growth of 72% year-on-year.

Our EPS for 9M stood at Rs.5.9 registered a growth of 71% as compared to the Rs. 3.44 in 9M of FY18. This is all from my side. Now we can open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Hrudhyam Varma from Augmen Catalyst. Please go ahead.

Hrudhyam Varma: Sir can you elaborate on the Honeywell contract that you have signed?

Ketan Patel: With Honeywell, we signed the contract and the contract there are three preconditions from Honeywell that - Honeywell will give us preapproved factories where we can manufacture the products under the Honeywell brand name. The specification of the products will come from Honeywell and the quality control will be in the hand of Honeywell. On our side, we can price the products as per our pricing matrix and we can design the products IDs as per we need and Honeywell India also becomes the distributor of the same product for the Indian markets and when we go to the Middle East markets, besides Honeywell itself can become the

distributor and we can also go to other channels to distribute these products and this license is for five years renewable till perpetuity till we keep doing the numbers what we have committed to them and they started, so it is now almost close to 18 months, so they started first with India with us then they asked us to move to SAARC and now they have given us the Middle Eastern markets. That is the contract with Honeywell right now.

Hrudhyam Varma: Sir, the margins in this business so basically it will be based on like cost-plus sales?

Ketan Patel: On the licensing part Honeywell charges a royalty on the sales so whatever sales we do Honeywell will charge us an 'X' percentage. The pricing is free for us and usually the margin is we call something called as gross invoice margin or GIM. The GIM for this business is close to between 42% and 44%.

Hrudhyam Varma: So how much would be the EBITDA here Sir? This is basically gross margin, right?

Ketan Patel: Yes.

Abhijit Kanvinde: EBITDA in this business particularly will be between 10% and 12%.

Hrudhyam Varma: Going forward what percentage of revenues will come from, I mean, out of the total revenues how much would this business contribute?

Ketan Patel: In the 18 months what we started the Honeywell business, now we have close to 48 SKUs for the Honeywell products and the factories were identified, the trial work was done, then we did the marketing campaigns so we had the videos prepared, other things prepared everything, so for

this year, we should end up probably 350 Crores plus and Honeywell business will be close to 14 Crores to 15 Crores into that and next year we are planning the Honeywell business to be 50 Crores of our overall business.

Hrudhyam Varma: The factories that you mentioned, so we have not made any investments in the factory?

Ketan Patel: These are all Honeywell approved and audited factories and we do third party manufacturing contracts with them. The contract is also checked by Honeywell in terms of customer recall, in terms of quality standards and then we will give a contract to that company, so basically, they are third party contract manufacturers approved by Honeywell.

Hrudhyam Varma: And the distribution that you mentioned, so Honeywell will be the distributor in India, or you will be selling it through your channels?

Ketan Patel: Honeywell can be one of the distributors for India plus our channel. Today, Honeywell products are sold by Croma, Reliance, Amazon, Flipkart, close to 1400 of our customers and Honeywell itself. So, when Honeywell participates in smart city, or Honeywell goes to the electrical channel it also carries the Honeywell products manufactured by us.

Hrudhyam Varma: Sir do we have tie ups with these ecommerce websites for our other products?

Ketan Patel: Amazon has a company called Appario. so Appario is our customer. Before that they had Clouddtail. so Clouddtail used to buy from us and Appario and Clouddtail and Flipkart has WS retail and PayTM has their designated premium partners so all of them by us, not only Honeywell

but products like GoPro, Honeywell, Olympus and a few other TV brands which we do.

Hrudhyam Varma: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Aakanksha Banerjee an individual investor. Please go ahead.

Aakanksha Banerjee: Good morning Sir. I have a few list of questions. The first question is which products commands with a higher margin from our overall product portfolio and can you list like top five products with their respective margins?

Ketan Patel: Akanksha thank you so much. Our business we have divided into four categories right now. One is IT, one is Lifestyle, third is Retail Security and fourth is Imaging. All IT products fall between 3% and 5% of category ex-Honeywell, all Lifestyle products fall between 8% and 10% of the category, all Imaging will fall between 15% and 18% and Retail Security is just a new business, which we have entered into. Retail Security also would be close to 20% and currently the top five contributing SKUs for us are GoPro, Samsung, Manfrotto, Printronix, and Honeywell.

Aakanksha Banerjee: Thank you Sir. Sir my second question would be how are we planning to expand or increase our product offerings?

Ketan Patel: Couple of things are there. As you know we have been in this business for the last 25 years now and we have a robust infrastructure of 24 branches across India. We have close to 18 warehouses. We have now one fully owned subsidiary in Hong Kong to cater to the SAARC markets. We have the compete infrastructure ready. We are already on an ERP. Now we have close to 5000 channel partners, so we plan to increase the

penetration among these channel partners and enable this channel partners to sell all the products what we sell, so we can contribute to their topline and bottom line and as we know the Indian millennial generation - less than 30 years of age - is close to 75%. So, two ways we are planning to target. One is to increase the penetration of the existing brands and every year try to get two or three brands, but not just product centric brands, brands where there is a bit of customer experience involved, so get these two types of products and then go all out with our channel partners and cater to the Indian market and the Middle Eastern markets.

Aakanksha Banerjee:What would be our further growth strategy from an overall business perspective?

Ketan Patel: From what it looks like from last year we would grow in terms of topline by close to 30% to 35% and bottom line we should double our profitability and I think for the next couple of years that is going to be the same trend.

Aakanksha Banerjee:Okay. Sorry Sir, but coming back to your earlier questions, I wanted to like to know what will be the market strategy in the Middle East countries?

Ketan Patel: Middle East we clearly know that we are not a top rated distributor there, so we have already approached three top distributors including Redington and one of them would agree to become our distributor for Honeywell brand because Honeywell brand has the much stronger market affinity in Middle East than in Indian markets so a lot of guidance comes from Honeywell also because Honeywell is present in almost more than 65 countries and Middle East is also one of the top markets.

Aakanksha Banerjee: I think that would be enough from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Raghvendra Kedia from MH Capital. Please go ahead.

Raghvendra Kedia: Good morning Mr. Advani and Mr. Kanvinde. Congrats on a great set of earning numbers. My first question is regarding the financials. In the presentation you have mentioned the other cost going up to Rs. 9.95 Crores versus Rs. 6.5 Crores in the same term last year and also that is with the other cost and also the interest cost has gone up to Rs. 3.3 Crores from Rs. 2.2 Crores. Can you please give some insights on these two entries?

Abhijit Kanvinde: Let us talk about interest first. If you refer to our balance sheet, then there is a term loan which we have taken to purchase a property that is around Rs. 5 Crores. So interest cost has gone up, the first reason is because of that and the second reason is because if you can see we have got our enhancement done in this financial year for working capital, so we have higher working capital now from the banks, so these are the two reasons by which the interest cost has gone up. As far as the other expenditure goes, you know, other expenditure includes all our sales, promotion and marketing expenditure. If you see our sales have gone up by Rs.171 Crores to 255 Crores, so relative expenditures like sales, promotion and marketing it has gone up. That is the reason you see an increase in total expenditure.

Ketan Patel: I would like to add one more point because the brand spend, they are marketing dollars or money through us and GoPro 7 was a launch in the period of October, November and December that is why you can see the other expenses, because the brands would usually park their money with

us and through us they will pay the marketing expenditure, so that is why, because three new launches of cameras where there, that is why the expense went up.

Vijay Advani: It is also proportionate to the sales, when probably as there an x amount of sales, the parked money from the brand is much more than otherwise. So further sale has gone up approximately 35% to 40%, the parked money is also more into the kitty.

Raghvendra Kedia: Fair enough. My next question is regarding your association with different brands and different companies so if you can see the online space Amazon, Flipkart and other names and even the physical showrooms like a Croma or Vijay Sales they are pretty extensively present in India so let us say for any brand to come to India and have its products launched across India choice one is to go directly to Amazon, Flipkart, Croma, Vijay Sales directly. Choice two would be doing the same thing via Creative Peripherals, so what value addition, you would do to them when some customer comes to you versus that company directly goes to the names just mentioned above. How does Creative Peripherals play a differential role when somebody approaches you versus going directly?

Ketan Patel: Raghvendra, I will answer this question. First, I would like to tell you something that if you see overall for the last 10 to 15 years, products and specification for any products has lost its value. Today if you see any TV it has similar feature, if you see any mobile phone it has similar features, if you see any car, if you see any bike, all have similar features. So, product and specifications have completely lost its value. Wherever you can share on the social, and wherever you can give a great customer experience those products are only being bought by the customer and in

that products only you get a cost plus say a 10x margin or cost plus say a 5x margin. So, for example, in that category you could have an iPhone or you could have a Harley Davidson bike or for example for that you can have a camera such as GoPro, which is a six year old company or for example, Olympus is there, or we have one more company in our portfolio called Manfrotto and GIZO. So these companies are there and these companies they completely realize that if we deliver a world-class customer experience then only our products will have demand and we will not become a generic brand, and these all companies when they come to India usually they take the short cut, so they would try to take a direct route, try to go to a Croma, try to go to Amazon and then they quickly realize in a couple of months' time that the customer experience bit is not being done very well in growth mode and they do not have time to look at the brand strategy to be executed well and if the brand strategy is not executed well and the customer experience is not delivered, then the brands tend to fail, so that has been and we have seen a lot of American brands entered India and went back because their customer execution was not delivered very well. And to deliver this customer experience you require scale and skill, you cannot be just a Mumbai centric company selling in Mumbai, you should be able to give the same customer experience across India, you should have partnerships not only in online but in online, offline, Mom & Pop stores also you should have partnership with specialty retail stores and currently in India we are the only company kind of who has got this scale and skill, which has got the relationship across the channels. So, for example I will give you a case of GoPro. Before GoPro came to India two years back, they had a sale of half a million dollars. This year GoPro we would do close to USD 12 million December ending and what changed for GoPro is that when GoPro came to us we had 22 advocates who

could write about GoPro. We had close to 18 people who could create content for GoPro which the customers could see and then we took GoPro to Harley Davidson and today any test drive you do on a Harley or any hog which Harley does, GoPro is an essential part of that team. Similarly, we did that with Ducati, similarly that we did with all photographic too, so a brand, which is really serious of customer experience and wants to execute if strategy rise would always prefer us than any direct route. That is one. Second just the product is not then who will look at service, who will look at imports, who will look after their social strategy, so all these things we do, so whenever a brand comes to us usually these are our criteria. We see whether the brand is number one, number two in the world then we take up that brand, second is will we be able to do any value addition to that brand because we do not do a value addition to that brand, then probably the brand will move away from us, so that is the second tick point for us. Third is whether they give us exclusivity for a three to five-year period then only we sign up with that brand. So usually you get 20 brands but out of that you can sign only two or three with whom your match making will be correct. So that is how we are doing that. Currently we have the best fulfillment partner for Reliance for the last three years. When you say fulfillment partner is how many times they give order, and how many times the orders were replenished on time, because their retail sales will go down, so Reliance or a Croma will take a lot of time to do a multilevel of this product, so we have an advantage currently and since we are exclusive, wherever, whichever product sells the pipe has to be us that is how we have right now structured our business.

Vijay Advani:

To add two more points to this, one is that previously GoPro when came to India through some other distributor who was catering to not more

than 18 stores in all India, so we are now catering to more than about 150 stores which are camera special stores and secondly as a fulfillment award which we got for this reason plus also one more thing that we see that the material which we supply to them, which is from the Washington DC, USA from their warehouse to their stores for sales on time. So, whenever the customer comes to the shop it is our responsibility to see that the product is available on the shelf.

Raghvendra Kedia: Thanks. My last question is regarding the positive triggers in the company, I see this Asia expansion going into new geographies as a very good trigger in the month ahead, and also this Honeywell venture or where you have actually kind of some association in the manufacturing?

Ketan Patel: It is a licensee agreement where we can use the Honeywell brand for a certain range of products.

Raghvendra Kedia: That also we have seen as a positive development, ahead in the future, what more triggers or game changes can we expect from Creative Peripherals considering largely if you see the legacy, it has been probably an importer and a distributor, obviously the graduation to the next level where you have become a regional Asia player as well as this licensee agreement on these lines or in the future scope of business what can we expect from Creative Peripherals?

Ketan Patel: Raghvendra one of the things we can say is we are a late bloomer kind of a company. We got over Mojo only correct for the last three to four years now and there are a lot of opportunities like Honeywell. We can talk to brands like Phillip for personal healthcare, we can talk to a brand like Printronix to expand their guideline and we can so for Creative if you ask me what are we going to do for the next three years, one is that first

stabilize the Honeywell business and try to get a couple of more licenses like Honeywell and with a named company, so either get Phillips, or get Kodak in that line. So that is one of the business. Second is that because these are all accessories and lifestyle product, we have seen that the per capita income for Middle East and per capita income for Asian market is much higher than India and people tend to spend on electronics and accessories at a much more value than that of India so we set up a subsidiary in Hong Kong which will help us that when you go from a state that you are a company which is in Hong Kong and wants to access the Asian market your acceptance is much better, so for the next couple of years we are going to go and deeply penetrate India and for Asian market and the Middle East market, we will penetrate with the help of Honeywell and Hong Kong office and develop a robust structure base. we clearly know that to build up a distribution business of the right angle we require 15 years of kind of a time, so in this market, we will go as brand and appoint distributors there and through them access the market. So basically these two points are there and we think that from the technology point of view, retail security is going to become the top most thing, because in India also we are still at a very infant stage in terms of retail whereas today Alibaba has a man less store in Shanghai called the Hema Stores where they have put in artificial intelligence and a lot of other retail security solutions, so we want to cater to that market, learn that trade and again redeploy it in India. So, these two places are there where we would want to look at more growth, one is retail security and second is deeper penetration in India and exploiting the Middle East and Asian markets with brand Honeywell.

Raghvendra Kedia: That is great. Thanks a lot. That is all from my side.

- Moderator:** Thank you. The next question is from the line of Akash Jain from Ajcon Global Services. Please go ahead.
- Akash Jain:** Congratulations Sir on a very good set of numbers. My question is when are we expected to list on the main board of NSE and with the partnerships like Vitec Group of Italy, Honeywell, what can be the expected ROE for say the next five years?
- Abhijit Kanvinde:** The first criteria to list is completion of two years on SME exchange, so that is we are completing two years in mid-April. Any time after say May we would be eligible to list in the main board. That is your answer to your first question. What was your next question?
- Akash Jain:** What can be the expected ROE if we take say next five years picture considering partnerships with Vitech Group of Italy, Honeywell, Samsung? Any ballpark number that we aspire to achieve?
- Abhijit Kanvinde:** ROE for FY18 is around 10.3%, and we are looking at and it is a five-year horizon so very difficult to comprehend but we are looking at around 17% ROE ballpark.
- Akash Jain:** As an investor, what best can we expect from retail security imaging, how much they can account say within the next two or three years since they are having higher margins?
- Ketan Patel:** Currently our business is 65% in IT and 35% is Imaging and Lifestyle which we will probably get it to 50:50 by the 2019-2020 financial year end, so 50% will come from IT and 50% from imaging & lifestyle, so the blended gross profit should be between 9% and 10% put together everything.

- Akash Jain:** Great Sir. Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Dinesh Kotecha from KRIC. Please go ahead.
- Dinesh Kotecha:** Good afternoon. Sir, two micro financial questions which I want is one your other income rose by 92% compared to the last quarter, so can you give some breakup of that other income, other operating income?
- Abhijit Kanvinde:** The other income has gone up because there has been a foreign exchange gain in this quarter and the last quarter. That is the clear reason and that is the only reason why the other income has gone up.
- Dinesh Kotecha:** Sir secondly the inventory has gone up by more than 9 Crores incrementally compared to the last quarter?
- Ketan Patel:** I think I will answer that question. The sales went up by close to 40% to 42% above the last quarter, so that is why and inventory is always a point of time in the month, so when we end the month usually our material will move out and the material would have come in from the brand .
- Dinesh Kotecha:** Sir last question, how many new products are envisaged to be launched in the last quarter of 2019?
- Ketan Patel:** We have finalized with a brand called ThermalTech. It is the number two gaming brand in the world and so that is one. And we are already in talks with another two companies.
- Dinesh Kotecha:** Thank you Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Srivastava an Individual Investor. Please go ahead.

- Rahul Srivastava:** Thank you for the opportunity. One clarification, what is the property that we have bought, if you can tell me about it then I ask further?
- Abhijit Kanvinde:** What we have done, we had couple of offices in Mumbai. So now we have consolidated these offices and bought one property, and everybody has moved into that office. We have one office now, which is two floors of one building, so that has cost us around Rs.7 Crores. Now that has had a saving also because couple of offices we had were on rent and that rental income, rental expense has gone down in your P&L. The second point is that there are operational efficiencies involved when you sit together in under one roof, so from that convenience and operational efficiencies I think we are doing well.
- Rahul Srivastava:** In fact, this is exactly what my next question was in line, if there are efficiencies both in terms of operations and financials then how much of it do we actually get advantage out of it?
- Abhijit Kanvinde:** If you see the interest cost, additional incremental interest cost because of borrowing for the office, would be approximately Rs.3 lakhs per quarter, and we would have effectively saved Rs.1.5 lakhs per quarter on the efficiencies, so effectively Rs.1.5 lakhs per quarter would be an additional outflow.
- Ketan Patel:** To answer your question in a different way, by having this new office, we have almost doubled the space to use and I think, so if you have to overall put a ballpark figure, I think, a quarter of percent yearly, this new office will add to the bottom line in terms of efficiencies.
- Rahul Srivastava:** That is encouraging, so we are not a property driven business that is resulting into some kind of savings on the bottom line so we are investing into it?

Ketan Patel: Yes Sir.

Rahul Srivastava: Another clarification rather we have divided our business into four segments and the overall margin for us happens to be about 3% to 3.5% on the EBITDA front but when we say the top five selling brands are probably in other IT segments?

Ketan Patel: Top selling brands are Samsung, GoPro, Manfrotto & Honeywell. So, Samsung and Printronix are in IT, GoPro, Manfrotto are in Imaging. Honeywell is an IT, but Honeywell is into licensing. It will give us close to 42% gross margins. So, we can consider Honeywell differently, so right now out of the top five brands two are IT and two are Imaging.

Ketan Patel: Just one more point to add, our business works in a way that if you do a monthly sale of say Rs.15 Crores, you have not done earn anything and post Rs. 15 Crores everything starts coming to the bottom line and that is why you are seeing change in the profit because for the last quarter we would have done almost 30 Crores a month. So after 15 Crores even a 3% will add to the full year bottom line. That is the kind of logic we work with.

Rahul Srivastava: Fair enough. Thank you. Great year ahead.

Moderator: Thank you. Ladies and gentlemen that is the last question. I now hand the conference over to the management for his closing comments.

Ketan Patel: I thank the entire team of 'Creative' for this untiring effort, hard work, and sincerity. Also, I appreciate all of you for participating in the maiden earnings conference call. Do get in touch with our IR team for any further questions. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Creative Peripheral & Distributions Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.