



“Redington India Limited’s Investor Conference Call”

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MODERATOR:

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Redington India Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 Ms. Priya Rohira from Axis Capital. Thank you. And over to you, ma'am.

Priya Rohira: Thanks. A Very Good Afternoon. Good Evening and Good Morning to various participants joining us from various time zones. It is a great pleasure. I welcome you to the Investor Conference Call for Redington India Limited. We have with us Mr. Raj Shankar – Managing Director; Mr. Krishnan – Chief Financial Officer; and Mr. Jayaraman – Treasurer from Redington India Limited. The call will begin with the management discussion. This will be followed with an interactive Q&A session. The conference will be archived and the transcript will be available. I will now hand over the floor to Mr. Raj Shankar – Managing Director for the initial presentation. Over to you, Mr. Raj Shankar.

Raj Shankar: Thank you, Priya. Good Afternoon to all the participants and thank you for making yourself available at such a short notice. We thought after the news article that appeared in the newspaper, there was bit of a frenzy and it appear to us that there were lots of rumors more importantly negative perspective about Redington, so we thought it is important to have this call to clarify.

So the first I would want to submit to you that since we have finished our quarter October-November-December, we are now going through a silent period, our board meeting is scheduled on the 2nd of February, so I am afraid that I may not be able to share any specific numbers. That said, I wish to clarify right at the outset that Apple continues to be a very important brand and business for Redington. We have a leading position as far as market share is concerned in India. Given that Apple has got some very ambitious

and aggressive plans in the next three to four years, and from what we understand that they are looking at growing the business by 7-10x in the next 4 years, there is going to be a huge growth and a huge opportunity. Apple felt that given that the business is going to grow leaps and bounds in the next 4 years they believe that there is a time, there is a need for redefining the distribution landscape, realigning the geographies, being addressed by the distributors, as also putting in or addressing different segments of the market. We believe that in the last 2.5 years that we have been engaged with Apple distributing their iPhone in spite of two-distributor scenario we have a significant market share with one have to therefore look at it, it is anywhere in the vicinity of about 60-65%, and we believe in the period going forward given this kind of a huge opportunity we will continue to be a leading company in terms of our market share both on the iPhone as well as their Mac business.

I would like to reiterate very clearly that we do not see this has any impact to our earnings, if at all we see this as a terrific opportunity for us to grow and continue to have the pole position. Please also bear in mind that as far as Redington is concerned, while Apple is a very important business, we also had huge success with some of the other smartphone vendors and given the change in the distribution landscape, we believe it also gives Redington an opportunity to continue to play the smartphone not necessarily only with Apple which of course will be our primary brand but we will also rope in many others and as we speak we have built a nice portfolio of about at least 6-7 smartphone brands, it would be growing every quarter.

The last point I just want to comment is we did not proactively inform the market about this change in distribution landscape purely because there was no official written communication from Apple in this regard. It would have been too premature on our part to therefore make any communication to the market where we have not received any formal or official written communication.

So, with this, I would like to conclude by saying you will see that when we announce our results for October-November-December, we have some interesting things in store, we have done well, we see it in the period going forward, we will continue to have the core position, always in any brand, in any category in the market, we have always maintained our leadership position, there is no reason for us to believe that we will lose that. With this I end my briefing for this call. I look forward to any questions that you may have.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Hardik Doshi from First Voyager. Please go ahead.

Hardik Doshi: You mentioned that the distribution landscape has been redefined. Can you just give us some more details on what are the areas that you will be doing now, what areas are with Ingram, and what the new players will be doing?

Raj Shankar: As I mentioned to you at this point in time that has not been clearly carved out, yet, there is going to be a new distributor, but we still are waiting for an official written communication. Our sense is that there will be a realignment of geography and our sense is there will be a realignment of the customer segments and that is what at this point in time I am afraid I may not be able to say too much other than yes, there is going to be another player but again it also have to be taken in the context of the business even this year is likely to double over last year or at least that is what Apple seems to be planning.

Hardik Doshi: Continuing on this question, what is the current scope of distribution that we do for Apple for both iPhone and Mac?

Raj Shankar: As far as iPhone is concerned, we address the general trade, the modern trade is addressed by the other competitor and #2, we also address the number of these chains and this is our current model, this we have approximately from last year or even the quarter gone by in the vicinity of about 60-65% share of the market.

Hardik Doshi: This is across India, so we do not have any kind of exclusion of any geography or anything?

Raj Shankar: Yes, this is on a Pan India basis.

Hardik Doshi: The news article also suggested that the new player had both Redington's existing Apple team to kind of start the new business, can you comment on that as to like how many people were taken, what their roles were and what impact do you think that will have on the business?

Raj Shankar: What is important, first, I would want to mention this and I hope it is taken in the right earnest, that competition has poached a person is true, but we are a company which is where everything is so institutionalized that we are not person-dependent, we are person-independent. We have for the moment brought in this particular role and responsibility a person who was managing the sales for Redington on a national level and amongst others responsibilities was also handling the Blackberry business. We are now requesting him to step in honestly, we are using our mighty force to make sure that we are able to not only retain our share but in the periods going forward continue to grow. So to answer your question, yes, there has been a poaching, but this no way will upset or disturb our current market share or other plans in the way forward.

Hardik Doshi: Why according to you do you think that Apple have the need to redefine the distribution landscape at one person, I mean, two people were not sufficient, what would be the rationale behind it?

Raj Shankar: While I certainly want to give a very clear answer I also probably have to give you a sense on how Apple is thinking. From an Apple's perspective, let us say, they did a billion dollar of last year which collectively is about some Rs.5,000 crores or thereabout or Rs.6,000 crores, and now when you look at four years from now, they are planning to take this to a 7x. Can you imagine the kind of colossal numbers that they are talking about which is one have to do a simple arithmetic, we are talking of something like Rs.40,000 crores. Now, in all fairness, you would agree that it is not within the realms and the

capacity and the financial where withal of any one or two distributors to be able to garner this kind of business. It is therefore natural for Apple keeping in mind the ambitious and aggressive plan that they have and I need to say very little on this because if you go by their October-November results at a global level, can you imagine there is one company which does the profit of \$18 billion in one quarter, so need I say more that it is natural from their point of view to look at how do we strengthen our distribution team so that as they continue to grow and grow significantly, they have got the necessary distributors and solid distributors who can help them achieve their ambitious goal. And let me tell you one more closing point on that no matter who they bring, Redington will be the #1 at all times. We have the leadership position today, we have a terrific business model and Apple knows about it and we are working hard and we will make sure to continue that.

Moderator: Thank you. The next question is from the line of Nihar Shah from Enam. Please go ahead.

Nihar Shah: The article also mentions that Apple is looking to take on sales and marketing investments on their own sort of books of account. Does that lead to any sort of a change in the financial arrangement that they have with you, if you can throw any light on how do you see their sales and marketing and advertising strategy sort of pan out while they try to achieve so much scalability going forward?

Raj Shankar: Honestly, at this point in time, it will be a little difficult for us to comment, because again, we do not have a clear and complete understanding on what their plans are, but what I can definitely tell you is that whatever that we have been doing will not get in anyway disturbed, maybe there is going to be more reinforcements but pardon me that I am not able to comment too much at this stage because we ourselves are trying to get more clarity.

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

Atul Mehra Given that now it will turn out to be a 3-player kind of a market, so, do you see any kind of impact could be likely on the margin profile for distributors?

Raj Shankar There is one thing about this business where I would say to a large extent — it is the margin is rather pegged or it is a very defined margin, so, that cannot erode or that cannot really get enhanced. So, to answer your question, there would be little or no impact because the way the whole thing would be structured is a “Live and Let Live” model and not a compete and margin erosion model.

Moderator Thank you. The next question is from the line of Srivatsan Ramachandran from Spark Capital. Please go ahead.

Srivatsan Ramachandran Just wanted your comments in terms of the addition of new distributor, you do expect some of the real estate to get partitioned. In terms of their existing reach, any insights you could give in terms of other what kind of a reach they would have in India market or do they work in some of the other markets where we work, they work with Apple?

Raj Shankar Without being a little disrespectful, if they had the reach and they had the wherewithal, they should not have taken our people. So, obviously, when it comes to India without bragging ourselves, I do not think that there is another distributor which has the kind of reach, presence, and coverage that Redington possesses. While we will certainly watch them very carefully, I believe at this point in time, our strength, our competencies, and our talent far outweigh what they would possess.

Srivatsan Ramachandran The e-commerce distribution and if I had to say may be Apple branded stores, if you have to say it within the two players that are there in the market now, who would be getting which piece of these buckets?

Raj Shankar Like I mentioned earlier, there is still no complete correct official communication, so, I would refrain from saying anything. But our sense is that we would continue to participate, there are lots of opportunities in this, we are currently in discussion with Apple; that is still not got fully dusted. So,

we believe that there are certain things that is being planned out, pardon me, I am not able to say anything more at this stage that Apple feels that we have breached our whatever that we can say or not to say.

Srivatsan Ramachandran I would like to know not on a going forward basis, how are things shaping up within the 2 competitors, not post Bright Star, if you had to take last quarter how was it, it was what I am wanting to know?

Raj Shankar Okay, this is what I mentioned, so, if you look at currently, we have anywhere about 60% to 65% of the market to distribute a scenario.

Moderator Thank you. The next question is from the line Savita S, who is an individual investor. Please go ahead.

Savita S I wanted to know how much percentage of the total sales of Redington and how much percentage of the total profits of Redington is contributed by Apple?

Raj Shankar At a Redington consolidated level or group level, approximately Apple would contribute about 11% to 12%. With regards to the profits, it would be probably again in the vicinity of about 9%, 10%.

Moderator Thank you. The next question is from the line Vihang Naik from L&T Mutual Fund. Please go ahead.

Vihang Naik My question is that does Bright Star get into any other manufacturer in India, do they work with any other provider?

Raj Shankar Bright Star, essentially have made their entry into India by sort of acquiring or partnering with another company. So, at this point in time, I would like to believe they are still in their initial formative period. They have a few brands and vendors, nothing which is of great significance is our understanding.

Vihang Naik In terms of Infrastructure, if you could just give us some color as in how do they pan up versus we understand that you have put in a lot of effort and

done a lot of investment in your Warehousing, etc., how does Bright Star compare with regard to that?

Raj Shankar I am afraid, I would not have the detail ready, we are still to understand their competency more closely, I am afraid I really do not have complete idea on what kind of infrastructure and what kind of setup they have.

Moderator Thank you. We have one question from the line of Rajendra Mishra from IDFC.
Please go ahead.

Rajendra Mishra You said 7x, right, in terms of scale up opportunity. So, the point was that this entirely will be imported and will be pushed through distributors, can you give some contours of how this 7x will be achieved from a sourcing side?

Raj Shankar That would be a very difficult question to answer, but let me put it this way, Apple is extremely bullish and convinced about the potential in India. I would say that till about 2 years ago, that was not the case, but in the last particularly, one year, Apple is very bullish, not only now but also in the way forward. #2, they have also realized the power of distribution given the kind of success that Redington has with Blackberry and also with many other brands, they realize the power of distribution. So, my sense is that a significant part of what they would sell into India will essentially get channelized through distribution. I do not know if that answers to your question.

Rajendra Mishra Partly yes. I was just curious because they are talking about 7x in terms of existing scale. So, I was just wondering if everything will be imported or something like that?

Raj Shankar But then as you know Apple the kind of secretive company that it is, I do not even know what they have in store for tomorrow, it is very difficult, but at this point in time, all that we can go by is we have had a terrific success, we have been an extremely integral to whatever we see distribution opportunity in India. We believe that our overarching messages that this

change is no way will belittle our position and as Apple continues to grow and it is expected to grow significantly, we believe the one company that is going to enjoy and participate in this growth will be Redington. That is our absolute commitment on this. I will just leave with that, that is difficult to say beyond this.

Rajendra Mishra

On this 7x, is this a timeframe attach to it, what is the public posturing on this from...?

Raj Shankar

I know as much as what you have read in the paper, they are talking of doing this in the next 4 years, but again, this is what Apple does not say some of these things in official terms, but this is what we also understand that they have some extremely big and ambitious plans. We think 7x in 4 years or 3 years.

Priya Rohira

Mr. Raj Shankar, we are done with all the questions-and answers, so, I think we can end the call. On behalf of Axis Capital, I would like to thank everyone for joining this call and thanks to the management team, especially, Mr. Raj Shankar for taking the call when he is overseas for sharing the development. Over to you Mr. Raj Shankar for the final remarks.

Raj Shankar

Thank you once again, Priya. Thank you to all the participants. Once again, we apologize that we had to have this call at such a short notice. Three submissions of messages — #1, we could not communicate this to the market earlier because we did not have any official or written communication, so therefore, please understand and appreciate that point. #2 is given that at the moment, we have an extremely high market share and we have been able to participate in the growth opportunities with Apple — both in the iPhone and the Mac business. #3, with the ambitious and aggressive plan that Apple has chalked out where they are talking or claiming of growing 7x in the next 3, 4 years; we believe that there is a huge opportunity, and therefore, they believe that there is a need for bringing about a change in the distributions landscape, realigning the geographies, and also the customer segments which have a way it is, Redington is clearly well poised and positioned to be able to participate in this growth

opportunity and continue to have the pole position. Thank you for your understanding. And one final message of course is that this no way will impact the earnings of the company. Thank you.

Moderator

Thank you very much. Ladies and Gentlemen, on behalf of Axis Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.