“Creative Newtech Limited

Q1 FY24 Post Earnings Conference Call”

August 11, 2023

MANAGEMENT:	**MR. KETAN PATEL – CHAIRMAN AND MANAGING DIRECTOR – CREATIVE NEWTECH LIMITED** **MR. ABHIJIT KANVINDE – CHIEF FINANCIAL OFFICER – CREATIVE NEWTECH LIMITED** **MR. VIJAY ADVANI – WHOLE-TIME DIRECTOR – CREATIVE NEWTECH LIMITED**
MODERATOR:	**ADFACTORS PR**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '24 Earnings Conference Call of Creative Newtech Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the belief, opinions and expectations of the company as on date of this call. The statements are not the guarantees of future performance and involve risks and uncertainties, which are difficult to predict.

I now hand the conference over to Mr. Ketan Patel, Chairman and Managing Director from Creative Newtech Limited. Thank you, and over to you, sir.

Ketan Patel: Good afternoon, everyone. Welcome to Creative Newtech Limited Earnings Conference Call for the quarter ended June 30th, 2023. I would like to start by thanking you all for taking the time to join us today. On the call with me is Mr. Abhijit Kanvinde, our CFO.

Before we get into the business and financial performance for this quarter, I would like to share some recent key developments and brief impact regarding the company. Firstly, I am delighted to announce that our Hong Kong based subsidiary, Secure Connection Limited made its presence felt at GITEX Africa 2023, a prestigious technology event held in Marrakesh, Morocco.

This event brought together distinguished innovators, entrepreneurs and technology enthusiasts who collectively shape the vision for a more sustainable, inclusive and tech driven digital economy across Africa. We are proud of our active participation in such an influential event. Furthermore, I am pleased to share that we are raising funds to the tune of INR80.10 crores through a preferential issue, which includes equity shares and fully convertible bonds.

This influx of capital will enable us to further expand our distribution and brand licensing business across the APAC and GCC region. It is a testament to our commitment to delivering exceptional value-added services to our clients and partners. Moreover, it is happening that many of our employees are participating in this issue, which reflects the confidence that our team has in our region as a company.

Additionally, I am also excited to announce the launch of next generation of Honeywell branded sound bars by our subsidiary Secure Connection. This marks a significant milestone in our mission to provide innovative and high-quality audio solutions that enhance entertainment and audio immersion. We are constantly thriving to offer cutting-edge products that elevates the overall audio experience of our customers.

In this ever-evolving landscape of technology, Creative Newtech has strived by staying at the forefront of industry trends and embracing the paradigm shift towards the digitizing in India. We take pride in being associated with over 20 renounced global brands, enabling us to cater to a wide range of customer in both the consumer and the industrial sector. Our focus remains on timely delivery, diversification of our product portfolio and fostering long-term relationships with our valued channel partners. We had recently segregated our brands into four key buckets. We expect to service the proper category and demographics to which they cater. We are seeing good growth in all these segments and our aim remains to maintain a balance between high volume and high margin products.

To sum it up, it has been a good quarter with a key milestone in the form of preferential issue that will set the tone for future growth. Our Honeywell business and C-Kart are also complementing growth.

Now I hand it over to Mr. Abhijit Kanvinde, who will take you through the financial highlights of quarter 1 '24.

Abhijit Kanvinde: Thank you, sir, and good afternoon to you all. I will share the highlights of our consolidated financial performance, after which we will open the floor for questions. Our financials are reported as per Ind AS guidelines. Looking at the consolidated Q1 FY '24 results, the company reported total income of INR471.34 crores, growing 93.15% year-on-year. This was driven by strong demand for brands like Samsung, Cooler Master, Honeywell and ViewSonic, which is also supported by improvement in the EB segment.

Revenue from EB segment grew by 168% year-on-year, accounting for 76% of the total revenue. The FMCT and FMSG segments grew 12% and 7.4% year-on-year, accounting for 14% and 10% of revenue, respectively. The quarterly EBITDA stood at INR9.91 crores as against INR7.66 crores in the previous corresponding period, an increase of 29.37% year-on-year.

The EBITDA margin for the quarter stood at 2.1%, a decrease of 104 bps as compared to the corresponding quarter last year. A change in the product mix during the period has impacted the margin. The PAT for the quarter is INR5.88 crores as compared to INR4.03 crores in Q1 FY '23 and year-on-year growth of 45.98%. The EPS for the quarter is INR3.91.

This is all from our side. We can now open the floor for questions.

Moderator: Thank you very much. We have a first question from the line of Aniket Redkar, an individual investor. Please go ahead.

Aniket Redkar: Good afternoon everyone and thank you for the opportunity. Yes. So I have a few questions, sir. So what is the purpose for this recent preferential allotment that we have announced? And how are we going to utilize these proceeds?

Ketan Patel: The primary reason for this preferential and the fund raise is to grow the Honeywell business into the 38 countries where we have the licenses. So majority of the money will be used for working capital for the Honeywell business. And also, if there are any new opportunities, similarly in the licensing space, we could use the money for the same. But currently, the whole focus is to increase the Honeywell business.

Aniket Redkar: Okay. And sir, can you give the number about the brand, which we have added till date?

Ketan Patel: Total brands you want?

Aniket Redkar: Yes, sir, yes. How many brands we have added during this quarter. Total brand also and the number of brands added during the quarter also.

Ketan Patel: Okay. This quarter, I don't think we added only Cricut as the brand raise over last quarter. So we added Cricut as the brand this quarter. Cricut is an American company. The brand is built through social media. Their sales in America for the last year was close to $1.8 billion. And it's a cutter basically, it can cut, emboss, print, transfer on close to 36 surfaces and it allows creators to create products, cut products, design products on their machine. That's it. And our first launch was on the Amazon Prime Day sales, and we could sell close to INR55 lakh material in two days of Cricut.

Abhijit Kanvinde: So it's a premium product. So normally, what happens is that we launched in a year, we launched around two brands to three brands, which are exclusive all India for us and for all channels. And so it's a funnel. So when we review 10 brands, normally, we are able to launch two or three.

Aniket Redkar: Okay. Sir, recently, there is a change in our product mix, which have impacted the profit margin. So can you give a brief about it? How are we going to take the measures to improve our profit margin?

Abhijit Kanvinde: Absolutely. See, there are two segments I would like to answer this question. One, the channel business and the enterprise business, we have a split. The channel business and enterprise business has different key drivers of gross margin. Normally, first quarter is always a lukewarm quarter for the channel business because the last quarter, there's a target there for the brand and their achievements. So the second and third quarter is excellent for the channel business. So this time, channel business was lukewarm compared to previous quarters also, it was flat, it did not have much growth.

However, we had growth in enterprise business. So channel business gross margins are in the range of 8% to 9% and Enterprise business gross margins are in the range of 20% in consol situation. So technically, as you get the blended margins lower than the channel business. So this time in a consol scenario, the blended gross margin for this quarter in a consol scenario was almost 4.74%, okay? And this will grow because Honeywell business will also grow in coming quarters.

Aniket Redkar: Okay. Sir, one more question about this Honeywell. Can you give a revenue breakup, I mean the share of the revenue of this Honeywell and the profit margin for this current quarter?

Abhijit Kanvinde: Yes. Do you want to take it?

Ketan Patel: For Honeywell last quarter, we did close to INR40.8 crores, the margin -- profit margin, PBT was INR1.76 crores. That gives you a PAT of close to 5.7% on it. That's it.

Abhijit Kanvinde: And last year, we did about INR110 crores from Honeywell.

Aniket Redkar: Okay. So sir, are we expecting any other brands tie-up with this?

Ketan Patel: Currently, we are only in talks with a couple of brands, but there's nothing happening probably this quarter.

Moderator: Thank you. We have a next question from the line of Harsh Sharma, an individual investor. Please go ahead.

Harsh Sharma: Sir, I wanted to know what is our strategy to retain brands so that we do not go to other distributors?

Ketan Patel: Yes, first, I will explain you elaborately. So when we select a brand, we pass it through a lens where we see that whether it's a brand which can create a great experience, right? And if you see the India's demographic currently, the millennials and Gen Z are more than 80%, 85% of our population. And these brands -- they want people brands, which can give them great customer experience, right. They are looking at lifestyle experience. So usually, we try to take brands which would give this kind of experience. And this brand which are build by social media, right?

And when these brands, they want to go to the market, it is not just that they are looking at somebody who will import the product, store the product, distribute the product and collect the money. Here the brands are looking at somebody who can execute their brand strategy into the market, somebody who can do the D2C for their direct to consumer from them, somebody who can create a community program, somebody who can get the right influencers who can create the right content, so people can get organically connected to that brand, somebody who has scales and skills to take it to across India because take this current example of Cricut now.

We would do close to 4 or 5 demonstrations through influencers every month. So in a year, 60 to 70 demonstration of the Cricut products through the influencers who are close to, say, 150,000 to 200,000 followers. So this 60 to 70 demos will happen across India. Currently, last month, we had 4, one we had at our corporate office here, one we had at Delhi, one we had at a hotel in Bangalore and one we had at Apple store, right? So this is kind of the partners this brand wanted.

And once you are kind of value adding to the brand, you are having an association where you are actually the extended arm of the brand, then that's where it's not like a short-term relationship, it's like a very, very long-term relationship. So that's the kind of brands we pick up, and we don't try to pick up brands which are just not moving. Hence, you will never find that we have a laptop or we have a mobile or a desktop distributor. Sorry, I believe last time also, you were on the call, right?

Harsh Sharma: Yes.

Moderator: We have a next question from the line of Ravindra Mehta from Resource Advisory. Please go ahead.

Ravindra Mehta: I just wanted to know the impact of the policy change by the Government of India regarding putting in high duties on import of laptop, printer, cameras, and all those goods because you are also representing those things in India importing and selling.

Ketan Patel: So the answer is too prompt, in the short term, there would be disruption in the supply of the product. And because the main product doesn't solve -- the product around it also will take a kind of beating. In the long term, it's beneficial because then you have all the opportunities because the products have been made in India. So then you have an opportunity to export the product also plus the brands don't come for a short term in India because they have to then invest in India, manufacture in India, have a team in India. So only serious brands will come that way.

So for example, if the government is going to bend it from the 1st of November, then the November, December quarter will have a slight beating of probably the JSM quarter may have because November, December, people will import a lot of stuff till December. That's one part. Knowing that already in the Make in India, Dell is manufacturing laptops here and HP is also getting it done from a few Taiwanese companies here. So only the higher-end ones, which are not being manufactured here, we can see on the premium segment some trouble.

Ravindra Mehta: Yes. Yes. My question is because of this policy change, manufacturers start assembling or making their products within the country. Then how does your agency system take place because as of now, you are exporting...

Ketan Patel: Ravindra, the agency system has been there for ages. And a lot of brands, for example, all your air conditioners, all your TVs, all your desktop are being manufactured in India. But the brands need predictability for 6 months' time. So they would always require either agents for them or distributors as we call them. So that's going to remain there.

In the countries where they are already manufacturing also they have the agency system. So there would be no change in the terms of the supply chain. The whoever the tags are there, there would not be any change that side. With the growing NBFC culture for supply-chain financing, probably, 1 layer may go. After the agents, there are sub distributors and retailers, the sub distributor layer may get affected over a period of time.

Ravindra Mehta: Nice to know that. All the best for your future adventures.

Moderator: We have a question from the line of Neeraj Sadani, an Investor.

Neeraj Sadani: I am tracking Creative, it's a very interesting business. But I just had some basic questions regarding your business.

Ketan Patel: Sure.

Neeraj Sadani: Like from my understanding, Creative Newtech is a provider assisting new age brands to establish their market in India.

Ketan Patel: Yes. Niraj, we lost you.

Neeraj Sadani: I am saying is my understanding correct that Creative Newtech is a service provider, assisting new age brands to establish a market in India?

Abhijit Kanvinde Correct.

Ketan Patel: Yes.

Neeraj Sadani: Okay. So we don't assist them in manufacturing at all, right, like contract manufacturing or sourcing the product?

Ketan Patel: So Neeraj, there are two aspects to our businesses. And that business currently skewed at close to 8% and 92%, okay. So the 92% of the business is assisting new age brands to come to India. 8% of the business, which is Honeywell which will eventually go to 25%, 30% by FY '25, '26. That's the business where we actually design, get product contract manufacturer and then sell in the Honeywell brand in the 38 countries. So this Honeywell brand licensing for the 38 countries we got in the month of November 20.

And it is for 4 categories. Before November 20, we had only India as a country. And the 4 categories are air purifiers in the brand name of Honeywell, personal audio and home audio in the brand name of Honeywell, electronic essentials, so basically all the products which surround your 3 screens, which you use in your waking up hours, the mobile screen, the laptop screen and the TV screen.

So all your fast chargers, cables, your converters, all the your HDMI things, all your surge protectors, everything around this category. And then we have active and passive networking. So we have these 4 categories and 38 geographies where we can go and sell this product. This is a high margin product and we are piggybanking this product on the distribution structure what we have, and we are aspiring that this business becomes 30%. So by the year '25, '26, our PAT will grow to close to 4.5% to 4.75% of our turnover. That's what we are trying to achieve.

Neeraj Sadani: Okay. So you are basically focusing on increasing your 8% of the business to 30% by...

Ketan Patel: Yes, the 8% this year will go to 15%, 16%. In the next 2 years, it will go to 30% or more.

Neeraj Sadani: Okay. Okay. And so I'm assuming that the capital requirement for this part of the business would not be so high because you are basically getting the products manufactured from outside, right?

Ketan Patel: Yes, exactly. So only capital, what you require is the working capital to get the goods produced, store it and give credit into the market. So that is close to 57 days to 60 days of working capital you require for that particular business.

Neeraj Sadani: And right now, we are just doing 4 products for Honeywell, but we have plans to increase because this obviously sounds there's a great opportunity because I'm going through your earnings con call transcript where you said that by FY '25, you will be doing INR500 crores of revenue from the business itself.

Ketan Patel: Yes, perfectly, Neeraj. we have four categories. Currently, we have 200 products, which we have developed under that brand. For example Air Purifier is the Category one, but we have close to 8 air purifiers in them. Audio as a category is 1, but we would have close to 84 SKUs in audio.

Neeraj Sadani: Ok. Another very basic question. So what exactly are in terms of payments from these brands? Like is it always linked to sales? Or is it like a combination of like a fixed revenue plus a variable?

Ketan Patel: For Honeywell, you are saying or for the other brands you are saying?

Neeraj Sadani: Usually like for Honeywell obviously...

Ketan Patel: So for Honeywell, it's a pure licensing agreement. In the Honeywell business, it says that you would give a minimum guarantee or a certain percentage of the sales, whatever is higher, that's the margin of Honeywell. Of course, there are other caveats where the factories are audited by Honeywell, the specifications are jointly developed once the product is manufactured, a third party qualified QC team will come and do the QC of this product. All the caveats are there. So basically to answer your question, in Honeywell is it a certain percentage or MG whichever is higher. That is the criteria with them.

With all the other brands, usually, you make a price waterfall. So you will ask the brand basic questions, say, how much you want us to stock, how much credit you want us to give, how much credit you will give to us. And then we come -- arrive at a working capital requirement. Based on the working capital requirement, then we ask the manpower and other stuff what is needed. And then a percentage of margin is decided and then the contract is signed. That's what is with the other brands.

Neeraj Sadani: Fixed margins, right?

Ketan Patel: Yes, fixed margin. So Currently the blended working capital of our company has come close to 22 days for this quarter, which is a bit of an anomaly on the better side. Usually, the working capital would be between 32 to 35 days.

Abhijit Kanvinde: Yes.

Neeraj Sadani: Okay. And what would be the amount of the working capital that is required if you need it in our entire business?

Ketan Patel: Abhijit will be a better person to answer. Currently, we have INR173 crores of working capital available to be using this business.

Neeraj Sadani: And my last question, I hope I'm not taking too much time. My last question is basically, in the last presentation of the last quarter also you had mentioned that the product mix had hurt our margins. Even this year, we are seeing -- this quarter also, our EBITDA margins have been hurt because of the product mix. So I wanted to understand that when you say that the product mix is hurting margin and you are going to improve it, essentially, we have very limited control on the product mix, isn't it?

Ketan Patel: No, I will tell you a couple of things, first. And so I'll answer the question in, what you're saying is correct, basically. But I'll just say, Neeraj, I had an opportunity to be at the Steve Ballmer Conference because we used to be Microsoft partner. And in the conference, we said that we don't put percentage in the bank. We put absolute amount in the bank, right? So though for the quarter, our EBITDA margins might be low, but the amount -- for example, a year-on-year quarter, we have put INR4 crores in bank, this year we put INR5.88 crores, which is close to 45% higher than that last quarter.

Having said that, I'm cognizant of the fact that the EBITDA margin also has to improve because then only it makes sense overall because it looks like to gain a higher share of the market, we are losing on the profitability. That's the thing. Our first quarter, usually is a very slow quarter because of still the supply chain constrains and other parts, there is other business, which is we call the enterprise business, which is a back-to-back business where we don't invest any money.

That business did exceptionally well. And that's why the whole ratios looks skewed that you grew too much without the margin. And the net effect of that is that the working capital is 22 days instead of -- if you see end of the year, our working capital was 47 days. And then this quarter, it is 22 days because the EB business where we don't invest any money that did very well, so in the coming 2 quarters, the 22 days should go to 32 days and the EBITDA margin should come to the exact percentage what we are looking at and also the absolute margin also we'll be having.

Abhijit Kanvinde: I want to add the first quarter is lukewarm for Honeywell as well as channel business. Both of the businesses give extremely good gross margin. The channel business is in the range of 8.5% to 8.7%. Honeywell, as you know, it's at 40% gross margin business. So this -- now coming quarters, if the contribution, and it will be the contribution of Honeywell as well as channel business will be higher as compared to the growth in enterprise business, the percentage margin will obviously be in line with your expectations. The point I'm trying to make is absolute margins are going to be higher, okay? However, percentage will also improve?

Neeraj Sadani: Yes. I mean the reason why I asked this question is, you know, in the market, eventually, people will appreciate margins as a percentage more...

Ketan Patel: Completely agree. Abhijit is of your opinion. Unfortunately, I come from the engineering background. You will see a lot of improvement on the EBITDA percentage as a ratio....

Neeraj Sadani: Thank you so much, Ketan bhai, Thank you Abhijeet..

Moderator: Thank you. We have our next question from the line of Sriram R, an investor. Please go ahead.

Sriram R: I joined the call for the first time. So I have some basic questions. So firstly, on the Honeywell arrangement, you mentioned that, you have licensing arrangements. So which other brands are you having the same arrangement like that of Honeywell?

Ketan Patel: Okay. Sriramji, currently, we have only for Honeywell. And the Board says that until you don't cross INR220 crores, INR230 crores in the Honeywell business, don't take another license because your bandwidth will get choked. So first, we cross that landmark, we will opt for another licensing brand.

Sriram R: Okay. So basically, what about the other brands, I just want to understand what is the arrangement with other brands. let's take Samsung or Polycab. And also if you can touch upon the Enterprise business, what do you actually do there? And what are the -- I understand the margins are lower that side. So I just want to understand how is it different?

Ketan Patel: Yes. Basically in the Honeywell businesses, sir, we ourself design products, we get it manufactured, the specification is done by us. We can decide the price that we will sell the product. That is the Honeywell arrangement. And you give a certain minimum guarantee and a percentage of the sale, whichever is higher that we give to Honeywell. That's the arrangement with Honeywell.

With all the other brands, you kind of have an exclusive arrangement, but you arrive at a recent ROI that how much months' working capital, I'll have to use and how much margin I will get and thereby, how much ROI I will generate, that's the agreement you have with this brand. Basically, it's a layman's term, it's a distribution agreement where you have exclusivity. That's the case. Sometimes, we take brands so that we can piggybank on that brand and foray into that market. For example, Polycab currently, we have distribution for southern, South India currently. And one of the reasons to do that is because Honeywell also we manufacture structured cabling products, which goes into networking. So that also has one channel, which is an electrical channel which sells the structured cabling, Cat 5, Cat 6 fiber and all other products.

So piggybanking on the Polycab, we would find the right distributor, who will take Honeywell. So that's why we have taken, for example, Polycab as a brand. Samsung is more from the top line side that it gives you a reach, it gives you visibility. It gives foot in the door to sell your brands. So that's why Samsung is there.

Sriram R: Sir, Samsung is for which region?

Ketan Patel: Samsung, 22 inches and above monitors is for 22 states in India. Out of 28 states, 22 states is with us.

Sriram R: `22 states, you have exclusive distribution, right?

Ketan Patel: Yes.

Sriram R: Okay. And sir, lastly, on the enterprise business, can...

Ketan Patel: So enterprise business is usually, when we have cash available with us. Then there are a lot of corporates which are there would want to have the product. So brands like Printronix, brands like InVue, brands like AOC, we would do enterprise sales where we will get the money in advance. We pay also in advance and we build to them. In this, also, you've got a lot of mobile phones also which you could do back to back in sales to corporate. So that is the Enterprise business.

Sriram R: Sorry, I'm not clear on the Enterprise business.

Ketan Patel: When we say Enterprise business, it is basically back-to-back business, which you sell to large corporates.

Sriram R: Okay. Understood. I will join the queue.

Moderator: Thank you. We have a next question from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: My first question is on the FMSG side of the business. If I remove the Honeywell part, then is it correct assumption to understand that this business has degrown Y-o-Y, if I remove the Honeywell business?

Abhijit Kanvinde: Okay, let's talk about this quarter's margins for FMSG right? You mentioned FMSG.

Ketan Patel: Yes.

Harsh Shah: FMSG.

Abhijit Kanvinde: So For the quarter ended on 30, June, that's the first quarter, FMSG consol margins was 20.86% gross margin, whereas the -- it was -- on standalone basis, it was 9.62%. So a range of margin basically is from 12% in standalone. So when you add Honeywell, it goes to 23%, gross margin, 20% to 24% gross margin. All right. This is after freight and direct expenses. Yes. So I think this is a pretty good margin to deal, okay, in FMSG.

Harsh Shah: No, my question was not on the margin.

Abhijit Kanvinde: Yes.

Harsh Shah: Okay. I'll rephrase it. So your FMSG segment includes revenue from Honeywell, right?

Abhijit Kanvinde: Yes.

Harsh Shah: If I remove the Honeywell part of the business, the rest of the FMSG business, has it degrown Y-o-Y?

Abhijit Kanvinde: If you remove...

Harsh Shah: From this INR49 crores if I remove Honeywell business of around INR30 crores...

Abhijit Kanvinde: To be honest with you, if there is a slight degrowth in this quarter.

Ketan Patel: Honeywell business in INR32 crores, INR22 crores will be here and INR9 crores will be our abroad, right?

Abhijit Kanvinde: Yes. So in this quarter, you will see a degrowth because the channel business was lukewarm, okay? But overall, you will have to see the entire year, where Honeywell as well as the FMSG, other would definitely...

Ketan Patel: Harsh, ours is a sort of a seasonal business also, so the April, May, June is the lowest quarter between September to December, July, August, September and October, November, December is when a maximum number of business -- in terms of turnover would happen because that's the festive season. And ours are mainly consumer products. So that's when the buying happens.

Harsh Shah: Okay. And for Honeywell business, you mentioned that the PBT margin was around 5.7% during the quarter. So just wanted to understand, going ahead, what kind of margin do you see on this side of the business?

Abhijit Kanvinde: See overall when you annualize, okay, Honeywell business would give -- in the last year has given a PBT margin of around 14% to 15%. Okay. In Hong Kong, there is no taxation, okay? So whatever PBT is actually PAT. okay? There is no interest cost also. We are using our own money, okay? Going forward, if all is well, and we grow then by FY '25, '26 we expect Hong Kong business to generate the PBT of 21% to 22%.

Ketan Patel: So currently, as we are building the business in close to -- we have license for 38 countries. This year, we want to build a business to at least 15 to 16 countries. So when you're building the business, then you will have people obviously. So we have marketing. We have a listing-fees in most of these developed countries. So plus your -- usually, the ratio for your manpower should be close to 6% in a manufacturing kind of setup. Currently, that's coming to 10% to 12% because you are building the team and the sales staff after you build the team, it takes two months to three months to start the sale.

Harsh Shah: Got it. And yes, referring back to the previous conversation where we discussed about EBITDA margin, I mean I would rather go with your notion of understanding when you say that what matters is how much money you put in the bank than the percentage. And I mean to stress this fact, it would be better if you can come out with quarterly ROCE because as an investor, as a businessman, I would like to see what is the ROCE. I might be making 30% EBITDA margin. But if my ROCE is only 7%, 8%...

Ketan Patel: Good suggestion, I'll just….

Abhijit Kanvinde: What happens is that -- first quarter we do not give any balance sheet. We give half yearly balance sheet as per SEBI norms and NSE guidance. At that transfer, we will have presentation as well as in our this thing, our ROI, ROCE, everything is calculated and given, sir.

Ketan Patel: In the presentation.

Abhijit Kanvinde: In the presentation.

Ketan Patel: Six months or three months.

Abhijit Kanvinde: No. three months we can't because our balance sheet figures are not supposed to be given, Ketan. I think we are in the line of your expectation, okay. We'll better this year as compared to last financial year.

Harsh Shah: Because in one of the call, Ketan, sir, had mentioned that you might consciously look to stagnate or degrow the EB business just so that the margins can be higher. I would rather not do that, I would rather have more business to come to me because even at 1.5%, 2% margin, if the EPS goes from INR22 to INR27, INR28, as an investor, I would assign a PE to that EPS.

Ketan Patel: Thank you so much, I found at least, one backer of my side.

Harsh Shah: Yes, because I belong to that school. At the end of the day, I will see what is the EPS. And even if margin dilutes, but your EPS is going up, I'm going to give -- your ROE is going up, the ROE, ROCE, I'm going to assign multiple to that EPS as long as the EPS is growing...

Abhijit Kanvinde: We together, both of us are very confident that we will surpass the expectation by end of this year, okay? All your percentage of ROE and ROCE. Having said that, first quarter is not the right opportunity to calculate any ratios because it's only three months performance. And it can -- first quarter, normally lukewarm quarter for our side of industry.

Harsh Shah: Absolutely. Thank you so much. I trust on both of you that you'll be delivering outstanding performance.

Abhijit Kanvinde: Thank you so much for keeping faith in us boss.

Moderator: Thank you. We have our next question from the line of Sarang Anajwala, an individual investor. Please go ahead.

Sarang Anajwala: Congratulations on good set of numbers. So my question was around the Honeywell numbers. I mean, one, I noticed that our consol numbers show that, I guess, probably secure connection numbers are around INR12 crores or something? If I am correct?

Abhijit Kanvinde: Absolutely.

Sarang Anajwala: Yes. So that represents our Honeywell overseas numbers. How does the Honeywell India numbers look like? So I mean, overall, how does the Honeywell numbers look like?

Abhijit Kanvinde: That's what we said, that we -- India plus overseas, we have done INR40.8 crores in the first quarter, but we are very confident that we will grow. We did last year of INR110 crores of both taken together. And we're really confident that we will grow by 50% to 60% in top line in Honeywell only.

Sarang Anajwala: And one more question around that overseas numbers again that this is coming from how many countries? I understand that we are kind of expanding to multiple geographies. And that's typically always a challenge to build the team and all the things, right?

Ketan Patel: Right. What we did, I'll just slightly elaborately to answer your question, Sarang. So the global product management team currently sits in Gurgaon. And they are managed by a colleague of mine, Mohit Anand. Mohit comes from a very MNC background. He was country manager of Microsoft Retail, and then he was Asia Pacific manager for Belkin, that's a brand which is similar to us from US. And also he did work in Channel V and French channel also Da Vinci was the channel, which was ultimately bought over by Raghav Bahl from Network 18. So Mohit manages that.

And along with Mohit, we have divided Southeast Asia, South Asia, Middle East and Africa. Southeast Asia -- South Asia is managed by Mohit directly, and we have a country manager under him to manage that. For Southeast Asia, we have a person girl there by the name of Christina, she is a Singapore citizen. So she takes care of all the territories like Singapore, Malaysia, Indonesia, Thailand. Currently, India Creative acts as a distributor for Honeywell. And then we have a small distributor in Bahrain -- in Bangladesh, one distributor in Sri Lanka. So South Asia is covered that way. Currently, Singapore we have distributor who has bought a material more than 6 times from us. That is Spectra who is there in Singapore.

We just signed up with a distributor in Thailand, their parent company is a listed company called Copper Wire. and their subsidiary Kwang distribution has signed up with us. They are the largest Apple partner in Thailand. They have close to 120 Apple stores there. We are trying -- we have spoken to a few people in Vietnam. We have spoken to few people in Indonesia, but we have not signed the agreement.

Coming to Middle East. We have two distributors, one for modern trade or the power retail as we call it and one for online. We are looking for one distributor in Dubai for the mom-and-pop stores or the independent retail there we are looking at one. We have one distributor in Bahrain by the name of iPoint. We have one distributor -- after the Morocco exhibition, we signed up one distributor in Ghana. And we are in talks to signing a couple of distributors in Morocco and other places, right?

And South Africa still we are not ventured. We are speaking to somebody in Turkey. Egypt, we are still not ventured and then the other countries we are not ventured. So currently, active, active is India, Bangladesh, Sri Lanka, Singapore, Dubai, and Bahrain. These are active.

Sarang Anajwala: Okay. Got it. So -- and about -- so any other geographies where we are yet to kind of appoint distributor or..

Ketan Patel: So the Turkey is there, Egypt is there. Saudi Arabia is there is, the largest market there. So we have appointed a manpower. The moment he comes on board then we will have, because when you go to a country also, you would have all statutory compliance in terms of the product. For example, in India you have got BIS certification before you sell the product. In Middle East, you require, ESMA in Dubai, SASO in Saudi Arabia. SG Mark in Singapore. But certain certifications you can only take on the distributors name. So until you don't have manpower and then you don't have a distributor signed, you can't ship the product to that country.

So the moment we have with there, we also are unrepresented in South Africa. So we are looking at that. So basically, what we have done is, we have taken the population and then we said which is 12, 14 countries we want to go this year, and that's how we have charted the course.

Sarang Anajwala: Thanks for the details and all the best for the coming quarter.

Moderator: Thank you. we have a question from the line of Jagjyot Singh from India SME Investments. Please go ahead.

Jagjyot Singh: So just wanted to understand that we already have licensing arrangement with Honeywell. So now if you have to enter into new product category with the Honeywell brand by leveraging their existing brand equity. So how does that evaluation happen? And how do we convince Honeywell to enter into these product categories?

Ketan Patel: Mr. Singh, thank you, and a good question you asked. So usually, Honeywell is a large conglomerate, and its brand resonates very well on the enterprise side, plus anywhere where you have to control, measure like temperature you have to or pressure or something, Honeywell brand name is quite synonymous there that's the case. In all these industries, so it could be hospitality, it could be real estate, it could be petroleum refiner, it could be data center, it could be smart buildings, it could be aerospace, there Honeywell name resonates very well.

So usually either Honeywell would approach us or we would approach Honeywell with a particular product category. And then we would also see whether Honeywell name will resonate well with them. So for example, air purifier is something where because all flights Honeywell manages the temperature and air quality and the other stuff. So air purifiers really resonate very well with the Honeywell brand. Your passive networking, your active networking also resonate very well because most of the smart buildings are software and everything is people use of Honeywell.

For audio, it's a very generic category and the millennial consumer may not know about Honeywell. And they may not know -- resonate well with the Honeywell brand there. But we took a conscious call because in a generic category to create a brand of your own takes a lot of time. So we said, let's go with Honeywell, so at least we get a seat on the table there.

Now besides if this category is, for example, we are not present in Europe, we are not present in America, we are not present in New Zealand, Australia. If somebody approaches Honeywell for this category, the first right of refusal, they give it to us. They will ask us whether you would want to take this opportunity. That's one.

If we don't take that opportunity, they'll give it to a licensee there. Now, for example, obviously, from an air purifier, you could also go to a water purification. So you could have a good quality water purifier, if you want. If tomorrow, I think I want to work into water purifier business, I would then go to Honeywell. Then Honeywell will ask which territory. Then they will ask for a detailed plan about who is the competing brand, who will be the competition brand how will you work against that brand and what is the market plan. All that is a long process. Then what is the specification, how many products you will launch in that category. What is the warranty you will give. All that we decide and then it is taken forward. So usually, it's a very elaborate and iterative process.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Ketan Patel for closing comments. Over to you, sir.

Ketan Patel: Thank you, everyone, once again for your participation in our quarter 1 FY '24 earnings call. In case of any further queries, you may get in touch with Adfactors PR or feel free to get in touch with us. We look forward to interacting with you Next quarter. Thank you so much.

Abhijit Kanvinde: Thank you so much.

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