“Creative Newtech Limited

Q4 FY '23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY 2023 Earnings Conference Call of Creative Newtech Limited. This conference call may contain forward-looking statements about the company, which are based on the 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, which 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 star, then zero on your touchtone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Ketan Patel, Chairman and Managing Director, 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 Fourth Quarter and Full Year Ended March 31st, 2023. I would like to start by thanking you all for taking the time to join us today. On the call with me are Mr. Abhijit Kanvinde, our CFO; and Mr. Vijay Advani, Whole-Time Director at Creative Newtech Limited. Before we get into the business and financial performance, I would like to share some key recent developments and brief insights regarding the company.

The past financial year saw several headwinds in the form of macroeconomic volatility and geopolitical tension, which impacted the overall market and consumer sentiment. However, resilience has always been a part of our DNA at Creative and that reflects in our performance during the year. The shift towards digital technology continues to drive demand for various products as more and more industries out of digital and online matters. We strive to maintain a light and agile business model with a selective strategy to build our brand portfolio, such that the offerings remain for step ahead of the ongoing market and consumer trends.

This reflects in our brands kitty, which are niche products, which are relevant and scalable. Over the recent months, we added Cricut, a premium brand offering craftwork related use of products, and Razor a US-based gaming brand. Both of these are among the leading names in their respective fields. Some of the other recent additions include Samsung Flash Memory, Lexar and Fujifilm Instax. On the licensing front, we have now Honeywell licenses in 38 countries covering the APAC and the GCC region. With our growing fleet of Honeywell products such geographical expansion should bring in the scale that we have been expecting in this line of business. This in turn will help us bring brand licensing into a sizable part of our revenue and will also boost our profit margin.

Given that we are present across multiple channels, it gives us substantial leverage to reach a broad market base. The synergy from Honeywell business will continue to grow this fiscal year. We've also garnered the attention of other global brands looking at brand licensing as a beneficial approach. Speaking of headroom for growth, the budget proposal and digitization and technology revamp could possibly result in a multibillion-dollar opportunity for Indian IT sector. With the budget allocation of INR4,600 crores in PLI scheme, we expect in the coming years to get our goods manufactured in India, which will help us reduce our inventory levels and overall working capital due to reduction of number of days in logistics.

Consolidated performance highlights for the quarter ended March 31st, 2023. Total income for the quarter was INR402.98 crores in Q4 FY '23, a year-on-year increase of 50.16%. Improvement in EB segment was supported by strong demand for brands such as Samsung, Cooler Master, Honeywell and ViewSonic. EBITDA is at INR11.49 crores in Q4 FY '23, year-on-year increase of 23.92%. EBITDA margin stood at 2.85%. PAT stood At INR6.45 crores in Q4 FY '23 compared to INR5.18 crore in Q4 FY '22, while PAT margin stood at 1.6%. As you might be aware, last year was we rearranged our segmental structure on the distribution front to better align with our business design and status.

Our business are now categorized in the following four segments: FMSG, fast moving social media gadgets. This comprise of new and niche products that appeal to the younger demographic. The brands are driven by social media penetration and wide adoption. This is one of the fastest growing and higher-margin segments. FMCT, fast moving consumer technology. This segment includes established consumer products that cater to personal and organizational demand such as Samsung, iBall and ViewSonic. EB, Enterprise Business. This compromise products supplied to enterprise and of high volumes. Some brands in this category include MSI, Philips, AOC, etc.

FMEG, fast moving electronic goods, this segment covers our alliance with Reliance through which we offer home appliances like from brands such as BPL and Kelvinator. This segment better represent our brand portfolio, bring better clarity on high-margin and high-volume products. We periodically expand and refresh our portfolio with new niche brands and products relevant to our time.

Coming to Ckart, our online digital B2B e-commerce platform, it is facilitating the growth of our business while catering to existing and new customers with nominal additional costs. The platform has helped us expand our partner base and volumes of transactions. Ckart will continue to be our one-stop solution for customers and improving the working capital cycle and profitability.

Now I hand it over to Mr. Abhijit Kanvinde, who will take you through the financial highlights in Q4 and FY '23.

Abhijit Kanvinde: Thank you, sir, and a good afternoon to you all. I will show 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 consolidated Q4 results. The company reported a total income of INR402.98 crores, growing at 50.16% year-on-year. This was driven by strong demand for the brands like Samsung, Cooler Master, Honeywell, ViewSonic, supported by improvement in EB sector. The quarterly EBITDA stood at INR11.49 crores as against INR9.28 crores in the previous corresponding period, an increase of 23.92% year-on-year.

The change in the product mix during the period impacted the margins. The PAT for the quarter is INR6.45 crores as compared to INR5.18 crores for Q4 FY '22 and year-on-year growth of

24.55%. Speaking of the full year's results now. For the financial year ended on 31st of March 2023, we reported a total income of INR1,402.25 crores, driven by growth in the Enterprise Business segments coupled with higher demand by brands like Samsung, Cooler Master, Honeywell and ViewSonic. The EBITDA stood at INR45.12 crores as against INR32.62 crores in the year previous corresponding year, an increase of 38.31% year-on-year.

The EBITDA margin stood at 3.22%. Change in product mix offset the benefit of improved operational efficiencies, which have impacted the margin. PAT for the year is at INR27.25 crores as compared to INR19.25 crores in the corresponding previous year, a growth of 41.56%. This is all from our side. We can now open the floor for questions.

Moderator: Thank you very much. The first question is from the line of Sudhir Bheda from Right Time Pvt Ltd. Please go ahead.

Sudhir Bheda: Sir, congratulations for good set of numbers.

Ketan Patel: Thank you so much, Sudhir bhai.

Sudhir Bheda: Sir, I just wanted to know the detail of Honeywell business. So what kind of number you have clocked in this FY '23? And what is the visibility of that particular Honeywell consumer products segment, which I think will grow exponentially from here. So can you throw some light on that business and prospect for next two, three years?

Ketan Patel: Sure, Sudhir bhai. So, last year, Honeywell business was close to INR108 crores. In that, we did INR79 crores of business in India and INR29 crores of business in abroad. So out of the total business of INR1,376 crores in console, Honeywell business stood at 8% of our business. In the coming year, we have planned to do the Honeywell business of close to INR180 crores for this year. And we also think that our top line will grow overall by 10% to 15%, so which will get the Honeywell business close to 14%, 15% of our overall business. Honeywell, as you know, now is available for 38 countries and we have already started our operation for Middle East.

We have Middle East director also in place now. And we've currently signed up with four to five distributors in Middle East. We are also participating in the GITEX AFRICA exhibition, which is happening at Morocco. So that will also open our entry into the African countries. And for Southeast Asia also, we have Southeast Asia director in place. So, I think Honeywell business from here will definitely grow exponentially. A couple of things to do that business is that because a lot of business have moved online and specially countries like Southeast Asia and Middle East, they don't have the general trade or mom and pop stores a lot.

Their business is online and modern retail or power retail as it is called, right? So for online business, you require a lot of review so that you don't have to pay a lot of money to Amazon to acquire its customers. And for the power retail business, you require to pay some upfront listing fees, which is a tune of AED450,000 to AED500,000. And they only list product once a year. So that process also started during this March, April months. So our business is slightly slower there. For the first quarter also, it may be a bit slow abroad. But it will start picking up from the end of second quarter and the third and the fourth quarter would be very good on that business.

Sudhir Bheda: Great, sir. Thanks for the opportunity. And all the best.

Ketan Patel: Thank you.

Moderator: Thank you. The next question is from the line of Sarang Anajwala an Individual Investor. Please go ahead.

Sarang Anajwala: Couple of questions actually. So in terms of the...

Sarang Anajwala: Yes. Okay. So my question is around the split. So even this quarter, I'm seeing that EB has maximum share. And then typically, FMSG is the area where we have higher margins, So, I'm just trying to understand this trend, like in terms of FMSG, I mean, if you see this year, more or less it's kind of flat. So, do you see any challenge on that front? How is the traction on FMSG side?

Ketan Patel: Mr. Sarang, your voice was a bit cracking, but what I could understand, I'll just repeat and you can tell me, yes or no. You said that in the split, EB, which is a lower percentage margin business, that share is higher and FMSG, which is a higher percentage margin business, that share is lower. That's what is your question. And how will we kind of grow that business. That's what you are saying?

Sarang Anajwala: That's correct. Yes.

Ketan Patel: Yes. Okay. So your observation is completely right. And in the EB space, because we don't use any working capital in that space. So, we get some money advanced and then we also pay in advance. And that's why whenever we have, it's more of an opportunity business. And whenever we have that free cash flow, we do that, we are very cognizant of that fact that it also affects our overall margin-to-margin ratio because it gives you a higher top line with lower bottom line. So, from this year onwards, we are going to rationalize that business and not take it as it comes.

For the FMSG business, because we had GoPro with us and we have not been doing that business for a couple of years because of COVID and then the travel and all restrictions were there for that product. And also the chipset shortage affected overall and the company retrenched a lot. In that category now we have two products, which we launched last quarter, one is Cricut. It's a $1.6 billion US brand, completely driven by social media. Millennials are the users of that product. We just launched that product in India last month and it has shown a very good traction, which was launched only online on Amazon.

And now we will start offering to that channel. But that product looks like very positive. And also, we launched Razor. Razor is the number one gaming brand. It's a cult-like brand. Again, in the FMSG sector. That's also comes, in the last two months, we launched it in the last two months. The sales for that brand is also there. So, FMSG share overall you will start seeing that the sales there will be much higher in the coming quarter. Since you asked this question also, I would like to add 1 more thing, that in the future, and the direction from the Board for this year also is that less is more.

They want us to keep consolidating on the brand distribution business, and they want us to kind of in the next three years' time, have two to three licensing brands and three to four brands in the FMSG segment. As you understand that we do this distribution business for three main reasons: one is the foot in the door, so we can offer our products to the retailers there; second is to get higher visibility; and third is to amortize our cost. We clearly understand that at INR50 crores business a month, we can amortize our cost and then all incremental cash flows we want to use for FMSG and our brand licensing business.

Abhijit Kanvinde: Also, sir, this is Abhijit. Our working capital cycle of debtors, inventory and creditors. If we calculate this, last year on console basis for the financial year FY '22, it was 51 days, it has fallen to 34 days. Clearly that is because the Enterprise Business is giving us actually low working capital situation, the money comes in advance and we pay later. So, this is an improvement in working capital, which I would like to highlight.

Sarang Anajwala: Right, right. Thanks for the detailed explanation. One question around categorization. So Honeywell India business, do we kind of consider it under FMSG? Or how is it? I know Honeywell abroad is part of console numbers, is part of secure commissions. But how about Honeywell India, does it, is it part of FMSG?

Ketan Patel: So, in India, the air purifier and other actually falls under the FMSG space. And fast-moving electronic essential business of Honeywell would go under the computer technology space. But since predominantly the category falls under FMSG space, we have categorized it under the FMSG space.

Sarang Anajwala: Okay. Got it. Got it. Yes. In answer to the last question, I think you already mentioned, but I missed the number, what was the Honeywell business this year?

Ketan Patel: Okay. So, the total business this year was INR108 crores. INR79 crores of that business happened in India and INR29 crores of that business happened abroad.

Sarang Anajwala: Thank sir very much.

Ketan Patel: Thank you.

Moderator: The next question is from the line of Nikhil Arora, an individual Investor. Please go ahead.

Nikhil Arora: Congratulations on a good set of numbers. So are you planning for any fund raising in the near future like for expansion in terms of new brands or in the Honeywell business?

Ketan Patel: Okay. So what we understand and I'm very new to the market, but they say that the quality of investor also is one of important tick point when it comes from the research point of view. And so if we get the right kind of fund or investment company, which is into, say, technology space, which can give us some advice and also the right connections into that space, we will look at raising funds to the tune of INR40 crores to INR50 crores.

Abhijit Kanvinde: Also, this money is going to be utilized in expanding Honeywell business because what happens is, you know that we have to conquer so many countries. Right now, in this financial year, without any additional money or rather with our internal accruals, we plan to expand and we've already established Singapore. We want to do Thailand, Malaysia and Indonesia. We wanted to do a little bit of Sri Lanka. And we have to expand in GCC. That is going to be our plan for INR180 crores. If in case we get money, okay, so that entire money obviously, will be used in working capital to buy more inventory.

And definitely then we can fast-forward the expansion of countries and possibly in the next financial year first quarter, we will go, we will plan to go to Africa. That is what has been in our mind. That is on our mind. So to answer your question, in case we get money, and in case we are able to, then we will try and fast-forward the Honeywell growth. If we don't, then possibly what number we have promised we will definitely deliver. So, we said that by FY '25 or FY '26, rather FY '26, we will at least be INR500 crores in Honeywell or any other brand. And the total top line will be in the range of INR2,100 crores to INR2,200 crores. So that will definitely happen.

Nikhil Arora: Thank you Abhijit sir. My next question is about the possible geographical expansion and you've already answered it. So, also, I want to know like what was driving growth behind the EB segment this year? And if we see the FMEG segment, the revenues are declining. So any particular reason behind that?

Ketan Patel: Nikhil your voice was a bit cracking. You asked something about the EB segment but we could not get...

Nikhil Arora: Growth factor behind the EB segment. And also the FMEG segment, the revenues are quite declining. So any particular reason behind that?

Ketan Patel: A couple of things on that side. First is on the EB segment. Since it's an opportunity kind of business. And my understanding this last year was that until you are putting more money, absolute money to the brand rather than percentage, it's a good thing. But I think now the margin ratios are also very, very important. So we would, if there's an opportunity also on the margin side on the EB business, we will slightly curtail that business. Coming to the FMEG business, our whole point is that, Honeywell, we have the structured cabling business.

The Structured cabling business has CAT5 and CAT6 cables, CCTV cables, fibre cables, which are used by Honeywell themselves and also by a lot of other electrical channel operators. We started the FMEG business, so we could learn and get into the electrical channel, that space. As we are trying to get into that, we find that, that channel is slightly difficult channel, more traditional outlook channel. And that's why we are not growing that business. Currently, we are having the distribution of BPL from Reliance base and Polycab also.

So, we are just trying to piggybank on these two brands to build our business. So, if that we have success in, say, we are trying to do that experiment in Southern India currently. If we get the success there, then we would build that business further or slowly win that business on. I think the Honeywell business was in the FMEG business.

Nikhil Arora: Thank you so much for the detailed update, sir. My last question. I just wanted to know the Honeywell share in profit margins during the quarter.

Ketan Patel: Okay. Abhijit...

Abhijit Kanvinde: So, Honeywell share in, you said consol.?

Nikhil Arora: Yes, consol.

Abhijit Kanvinde: Okay. So on this one, we would like to say, last year, look on a full year basis Honeywell business and the console businesses, they added INR6.4 crores to the bottom line. So, our bottom line was, stand-alone was INR20.85 crores and our console bottom line side it was around INR6.4 crores of additions in bottom line.

Ketan Patel: Nikhil. I just want to also add that since we are in the growing space currently, there are a lot of expenses. For example, the Morocco exhibition, what we are taking part. It will cost us almost to the tune of INR30 lakh, INR35 lakh, the whole cost of traveling, building, booth and also paying for the rental for the booth, that's the case. So in spite of the expense and in spite of spending money on getting all the regulatory compliance for the electronics products everywhere. For example, we just went to Singapore. It requires the Singapore SG Mark.

For that you require a certification, which costs $10,000. So, including all the certification also, we have been able to post a good profit in that Honeywell business, and this is all expensed out actually and not taken as a part of capital expenditure. So now because we have also four categories ready, all the certifications ready. And we have to still participate in the GITEX Middle East, Dubai, which will happen in September-October. But rest of all participations we have done. So the Honeywell profits will grow also from this year.

Nikhil Arora: That's all from my side. Thanks for the opportunity.

Ketan Patel: Thank you so much Nikhil

Moderator: The next question is from the line of Neha Jain, an Individual Investor. Please go ahead.

Neha Jain: Good afternoon. And congratulations on a good set of numbers. I have a couple of questions. Sir, I just wanted to understand what is the profit margin for each segment for this entire year, for FMEG, FMCT, FMSG, etc. So, what are the individual profit margins for these segments?

Abhijit Kanvinde: Yes. If you look at our segmental results. So, you want, I'm giving the profit margin for the consol., segmental results. The EB segmental results had a profit margin of 2.71%. FMSG was 20.71%. FMEG has been 10.45% as a percentage, but the amount of profit was hardly anything. And FMCT, the profit margin is 5.39%; overall, it is 5.83%.

Neha Jain: Sir do we have any plans as to how we are going to increase the profit margins or how we see this level to be maintained for the next couple of years?

Abhijit Kanvinde: Definitely, we have plans to increase the profit margins. Please appreciate that, as we grow Honeywell business, okay, the profit margins in console revenue will grow because Honeywell business has a gross margin of 40% to 55%. In India it's actually 45% and abroad it's more than 50%. So, having our console revenue and having our share growth, the profitability is be going to zoom up. So we've given an internal guideline that by FY '26, if you want to see the profitability, then on a console basis, our PAT will be, which right now is in the range of 2%, will be, as a percentage, will be in the range of 4.5% to 5%, okay?

So, that's where we will be, steadily growing because of Honeywell business growing, and we would like to also add one more brand in our licensing business, which will deliver that kind of gross margin.

Ketan Patel: Okay. I may add in to just what Abhijit said, so the whole guidance is that into the next three years, increase the Honeywell business to almost 30% of your top line, consolidate on the brand distribution business, reduce the brand. And on the FMSG, which is also a higher-margin business, and it's also a business which is best suited for the Indian demographic currently, get four or five exclusive niche brands, which is high margin and high volume. So, that's the whole plan. So, in the next two to three years, step-by-step we have a plan of every quarter and every year. So the margins from 2% will go to between 4.5% to 5%.

Neha Jain: Got it, sir. Got it. Sir, in terms of our working capital cycle, it seems to have improved recently. So, is this improvement sustainable? Or what is the level that we've been maintaining now that we are also growing?

Abhijit Kanvinde: Let me take this question ma'am, of course, working capital cycle is improved, okay? On a console basis, it is around 31, 32 days, okay, 34 days. Roughly what we need to envisage is that we're likely to increase the Honeywell business, yes? And Honeywell business needs a little higher working capital and obviously, the contribution of Enterprise Business will go down in the business. We will settle at around 37 to 38 days of working capital going forward. That's going to be our deadline.

Neha Jain: Okay. And sir, like you mentioned before that we are also planning to bring on both, few new niche products as part of the expansion. But apart from that, how do we like retain existing brands so that they don't typically switch distributors. So what is our strategy for that?

Ketan Patel: A couple of things. Neha, it's a very good question you asked strategically. See, when you take up a brand, that point of time, the company has certain goals and the brands have certain goals. In four to five years' time, sometimes it may happen that either the company or the brand, both may outlive each other in terms of their goal. That's the time, kind of, you have to part with the brand. That's what happens. We take our brand with kind of a view that the brand should be with us for 8 to 10 years, right? And ideally, we take up a brand where we do the whole bit of it.

So whole nine years we do so, right from importing, to distributing, to doing the marketing, to doing the influencer part of that brand, to repair, servicing and the PR also for that brand. Everything we do. So, it's a very, very integrated and a very close coordination we do with the brand on every aspect. So in case if the brand has certain issues, say, financially or the products, kind of, is not required into the market because of the change of technology, that's when only the, we have to part with the brand. That's the case.

Second, consider a product like monitor, right, that also we distribute for Samsung. Over a period of time, everybody has moved to laptop. During the COVID, everybody wanted a second computer at home so the monitor sales and the price got zoomed up. But now the monitor prices have stabilized and people are not buying another monitor for their home because they have already bought the same. In these cases, that brand sale may go down, but we factor it every year. So we have an annual operating plan and we have a quarterly operating plan.

And based on that, we work. Out of that, the most important brands are there that falls into my KRA, where if the brand is very important, it is giving us high margin, high volumes, then I have to closely work with the brand to grow that. So that's the case. But sometimes it is a shear battle of that whatever you may try, but you may shortfall of a brand's expectations. And the brand may move out from you. That could happen.

Abhijit Kanvinde: And I just want to add something to what Ketan said. Strategically, we are a national distribution house. And therefore, some brands, there is always a cut-off of gross margin as well as the top line monthly for some brands. If they are not giving any justifiable numbers, then our Board has advised us and we calculate ROI for every brand on a monthly and a quarterly basis. So if the ROI is not justifying the investments, if the brand is not justifying the returns, then the Board has given us a mandate that we should drop off those brands gradually. So, we are thinking of dropping roughly four-five brands which are not making any sense to us in this financial year.

Neha Jain: Got it sir. Thank you so much sir. And good luck.

Abhijit Kanvinde: Thank you so much ma'am.

Moderator: The next question is from the line of Harsh Sharma, an Individual Investor. Please go ahead.

Harsh Sharma: Good evening, sir, what I wanted to ask you is what is the raw material expense as a percentage of our sales increase Y-o-Y, which cause the gross margin to drop?

Ketan Patel: What is the raw material...

Harsh Sharma: Why did our raw material expense as a percentage of sales increased Y-o-Y causing our gross profits to dip?

Ketan Patel: Yes, Harsh. In the last year, if you consider, right? There were two things: one, there was a huge shortage in the material for the first two quarters and also the freight cost has really gone up very high due to the China thing. So, I think that's why the cost of the raw material looks higher when you compare year-on-year because of the freight cost and also the shortage, so that went higher. And a lot of time, we think that instead of increasing the size, the brand things actually instead of increasing the prices to keep the market share constant so that people don't move to other brands. That is the primary season.

Harsh Sharma: And sir, 1 more question, please. If we see our operating expenses have reduced Y-o-Y in the quarter. So could you like to shed some light?

Abhijit Kanvinde: Yes. It's the other expenses have reduced year-on-year let me speak on stand-alone basis. Stand-alone basis, I explained to you why they have reduced. So, on a stand-alone basis, the other expenses last year was INR33.26 crores, which has come down to INR30.67 crores. The major reductions in the other expense has been a core of the piece in sales promotion, INR50 lakh on commission spend. And there's a reduction of service expense from INR5.05 crores to INR2.47 crores. All these are the expenses are the promotion of sale, promotion and commission that we spend on behalf of the brand. So, technically there has been large spending in this financial year on behalf of the brand.

Harsh Sharma: Understood, sir. And sir, one last question. Sir, what would be the breakdown of domestic versus overseas revenue?

Abhijit Kanvinde: Breakdown of domestic versus overseas. Okay. So almost, on a console basis, I think 1376 of console revenue, approximately INR875 crores will be foreign revenue and domestic would be around INR500 crores.

Harsh Sharma: Thank you sir.

Abhijit Kanvinde: Thank you.

Moderator: The next question is from the line of Jacob James, an individual investor. Please go ahead.

Jacob James: Hi, sir. I wanted to know what are the measures are we taking in order to improve our cash flow position?

Abhijit Kanvinde: Yes. Okay. So a pertinent question. This time, there has been a negative cash flow from operations to the extent of INR18 odd crores, okay. Clearly, if you refer to the balance sheet, there is one item where there has been an increase in other current assets to the tune of approximately INR40 crores. If you see the comparison of the other current assets, almost INR40 crores has increased in GST deposit.

So, duties and taxes receivable, the amount from INR37 crores, it has become INR74 crores. There has been, two three components of this. This year, we will see around INR7 crores, INR5.5 crores of GoPro receivables that is the part and parcel of duties and taxes receivables. The GST we paid on export of INR24 crores, has already come in, in the month of April.

And definitely, we are hoping that there is around INR24.5 crores of MEIS and duty drawback, which is pending from government. This year, we think it will come back. So most of the money, which is invested in GST, duties and taxes receivables, we will liquidate it in this financial year. And I'm sure that our cash flow cost from operations will be a good positive figure. Rest, if you try to see our debtors are in line, our inventory has fallen.

. What has gone wrong, not gone wrong but there has been an investment in the duties and taxes receivables, which will come in this financial year, and we will have a positive cash flow this time for sure.

Jacob James: Okay. If I talk about working capital, and maybe you mentioned that some numbers on Honeywell's working capital. So if you could reiterate what is Honeywell's working capital as compared to the rest of the brands on an average?

Abhijit Kanvinde: So, definitely, the rest of the brands, the working capital is in the range of 40 to 45, okay? However, Honeywell is at 60, almost 60, yes? So, this position will also improve. Recently

Honeywell, partly, even in first one or two or three times, they do not give us credit. We have to send money in advance. However, now, okay, after two years of buying with them now, they have started giving us credit. So, the 60 days will also improve, will come to 50, okay. And rest, we are 45 days. So we presume that overall, including the Enterprise Business will be at, today we are at 34, but we will be at 37 or 38, okay, going forward.

Jacob James: Okay. Yes, I have 1 more question. If, so if we talk about our product mix, which has impacted our profit margins. So could you, if you could highlight on the changing product mix due to which our profit margins have been impacted, if you could highlight on that?

Ketan Patel: So, in the last year, compared to the last-to-last year, everything was in shortage and the gaming product, because they are fast-moving, the gaming products, which are mainly Cooler Master, PNY, Colourful. They were doing extremely well because the chips were not available, the graphic cards were also in extreme demand. Last year, we saw a drop into that segment completely in the gaming segment, mainly because the same product goes into crypto mining, the same product goes into high frequency trade on the stock market and the same product also goes into animation and other parts. So there, we saw a considerable drop on that.

Second, we also saw a considerable drop on the FMSG sector. And I think that is because the interest rates went very up and our consumer group is, India's consumer group and our consumer group also in that segment is 35 years or lesser, which is 75% almost. And this because of 50% hike on the home loan rate, I think that affected a bit, I think so. But I'm not sure about that. But in that segment, the buying was less. So actually from post Diwali, we saw that uptick for gadgets was lesser.

Jacob James: Thank you for the insight sir. That is all from me. And I wish you the very best.

Abhijit Kanvinde: Thank you so much. Bye, bye.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Ketan Patel for closing comments.

Ketan Patel: I once again thank you all for joining us on the con call today and look forward to interacting with you again. Thank you so much.

Abhijit Kanvinde: Thank you.

Vijay Advani: Thank you.

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