



CREATIVE
NEWTECH

**“Creative Newtech Limited
Q1 FY-22
Earnings Conference Call”**

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MANAGEMENT: **MR. KETAN PATEL – CHAIRMAN & MANAGING DIRECTOR, CREATIVE NEWTECH LIMITED**
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Moderator: Ladies and gentlemen, good day and welcome to Creative Newtech Limited Q1 FY22 Earnings Conference Call. 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 the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ketan Patel – Chairman and Managing Director of Creative Newtech. Thank you and over to you sir.

Ketan Patel: Good afternoon everyone. Welcome to Creative Newtech Limited earning conference call for the first quarter ended 30th June, 2021. Our company as you all would know was formally known as Creative Peripherals and Distribution Limited. I would like to begin by expressing my gratitude to all of you for taking the time to join us. On that call with me today is, Mr. Abhijit Kanvinde – CFO, Mr. Vijay Advani – Whole-time Director of our company and Bridge IR, our Investor Relations Team.

Before we get into the business and financial performance of last quarter, I would like to share some brief insights and recent developments regarding the company. Starting with some key recent developments; as you are all aware, most of the last year faced headwinds from COVID-19 virus outbreak. The pandemic which brought the whole supply chain and entire economies to a staggering halt, impacted every aspect of our lives, from personal lives to business and industries across the world. Like every other business we also faced the impact of the lockdown. Even as industries reopen gradually this year also started on a familiar note. With the second wave of pandemic hitting our

nation leading to lockdowns in several states to cut the virus threat. Much like most other industries our operations were also hampered in terms of logistics and demand. We have been working with lower employee capacity encouraging our employees to work from home and stay safe. As the impact of the second wave wanes, we hope for faster upswing in activity going forward. Also, once travelling and tourism resume more activity, we believe that the demand for photography, videography and related products is also expected to recover.

Having said that we believe that it is during these challenging times opportunities to further refine our internal practices and improve our operational efficiencies and skillset can happen and we have been actively doing that. I'm happy to share that we recently changed the name of our company to Creative Newtech Limited. Our business and vision far exceed beyond just distribution. Today we are well established as brand licensees with a long-term agreement with Honeywell and are building further on this line of business. With Ckart we have entered the online B2B marketplace vertical and we see this as a key turning point for our business. These changes along with our vision to be a seamless platform for all partners indeed created a need for this new name which better represents our company and vision to be at the forefront of bringing new technologies to the masses.

On the distribution front, we continue to expand and refresh our portfolio with new niche brands and products which are relevant to the times. Some of our most recent brand alliances include those with Hyperice, a US based company specializing in technology-based muscle recovery and massage products well known in the wellness and fitness category. MSI, a well renowned company, a name in computers and Colorful technology, a specialist in SSDs to name a few. Also, we recently tied up with Reliance Retail to distribute a broad range of Marvel and Disney branded products. These include audio products such as wired and wireless earphones, headphones and speakers, personal grooming products such as hair-curlers and straighteners as well as small home appliances like toasters and sandwich makers. This tie-up gives us access to a huge market across multiple product verticals, expands our geographical

coverage and would translate to higher revenues taking our business to newer heights. We recently strengthened this tie-up by adding a range of lights, bulbs, fan and home appliances from BPL. Having such a household name in our brand portfolio also broadens our market reach.

In terms of brand licensing our deepening association with a Fortune 100 company like Honeywell would serve as a guiding example for other brands wishing to leverage the licensed manufacturing model. We are in a process of launching a wide range of audio-entertainment products and a new variant of air-purifier by Honeywell in the mid-September 2021. To support the anticipated growth from various lines of business in July 2021 we have raised Rs. 11 crores of fund through our preferential allotment of equity shares and warrants. The proceeds from this will be used to support our growth plans in Honeywell and to scale up our overseas operations.

In June, 2021 we suffered unfortunate fire incident at our Bangalore warehouse. While some of the inventory was damaged, all of it is insured. But what is more heartening to know that there is no human injury or loss of life in the incident. We follow all the necessary procedures to be undertaken and a surveyor has been appointed who is investigating the incident.

Coming to a brief introduction to our company; Creative Newtech is a dynamic company which has come a long way and crossed several milestones over the recent past. Today we are not just a market entry specialist for niche experiential brands across India and international markets but also licensee contract manufacturer for a Fortune 100 giant Honeywell. We specialize in market entry for global brands and work closely with partners to achieve optimum market penetration and growth. Our network includes all three channels online, retail and general trade whereby giving us a strong leverage to reach out to a wide market base. Furthermore our value-added business model covers end-to-end solutions for market research and competition analysis to formulating and executing the region-specific marketing and pre sales strategies for brands. We have a three pillar strategy to grow and expand our business sustainably. The first key aspect of our businesses is brand licensing and contract manufacturing. With Honeywell we have long standing

agreement for contract manufacturing and distribution in 30 countries across APAC and Middle East region. We have a broad and continually expanding product portfolio with Honeywell with air purifier being the latest addition. Our products cover connectivity as well audio entertainment solution. We aim to expand this licensing line of business by adding more international brands. Contract manufacturing is an attractive model of business for various global brands wherein they can leverage local players market reach to increase and grow their products' market share. We plan to utilize our experience gained with Honeywell for other international brands wishing to follow similar model. The second pillar is our expertise and stronghold in market end-to-end penetration for niche brands. Currently we have a long-term association with 20 globally renowned brands which are leaders in that space. These are categorized in three broad divisions, IT imaging, lifestyle and security products. Our value-added services like executing a brand's market strategy and post sales service along with this wide spectrum of products has helped our company achieve economies of scale and become a single sourcing point to our customers. Today Creative Newtech Limited is such a sought-after name among OEM as well as sub distributors and retailers alike being a crucial link in the supply chain. We continuously enhance this bouquet of brands with new and high margin brands. Some recent brand additions to our portfolio include Edelkrone and ZEISS. The third key aspect of our growth strategy is Ckart, our very own online digital B2B e-commerce platform. Ckart is a game changer in our industry and will play a crucial role in expanding our business with new and existing customers with minimal additional costs. Overall, our focus is on these three main growth triggers, offer experiential products and enabling niche global brands to enter and establish in new markets, expands our licensing business and become an online platform for all customers through Ckart.

We continue to strive for higher operational efficiencies and adding high margin value products to our portfolio. Associations with Honeywell, MSI, Edelkrone etc. are steps in this direction. Coming to Ckart, our new business initiative, I am glad to share that our platform has been making significant strides once launched last August. As I briefly mentioned earlier Ckart is our

online digital B2B e-commerce platform built in-house by a dedicated team. It hosts all of our customers in the supply chain and enables them to transact, discover and share products and brands to their buyers in their own companies. This platform also allows them to showcase their inventory and trade among each other, facilitating higher volumes and expanding the product portfolio being offered through Creative Newtech. We even showcased the speed and ease of use of Ckart when we demonstrated the first order online during the launch. Within the first 6 months of launch many of our existing as well as new customers have joined the platform making it a huge success. We recently added a seller module on the platform which will allow our partner to sell their entire inventory of products to their customers through Ckart, including products that are not directly under Creative's portfolio. Additionally, we will also enable partners to have their own branded micro-site hosted on our platform. These features really benefit the partner and would garner further adoption amongst players. Ckart will fortify our presence as one-stop shop for customers as well as improve our working capital cycle and profitability. Our brand association diversify and expand our portfolio and reflects the company's recognition among global clients. Even as speculation of third wave of COVID looms, improving consumer sentiment would spur demand for such products in the India market, both online and offline. And as Ckart gains momentum we foresee a strong growth in customer base without additional cost which would translate into higher top line and profitability. From an overall business perspective that is all from my side. I will now hand it over to Mr. Abhijit Kanvinde, our CFO who will take you through the financial performance of the company in Quarter 1 FY22. Thank you.

Abhijit Kanvinde: Thank you sir and a very good afternoon to you all. I will share highlights of our consolidated financial performance after which we would be glad to respond to your queries.

Our financials are reported as per Ind-AS guidelines; looking at the Quarter 1 FY22 financial results. In the quarter ended 30th June, 2021 our company achieved net revenue of Rs. 135.88 crores, growing 110.57% year-on-year. This was mainly since last year first quarter was severely impacted by the

nationwide lockdowns. Growth was also supported by demand for IT products such as Samsung, Cooler Master and PNY. It is notable that this represents operations of less than 2 months due to the lockdown across several states in India. However, June has been one of the highest revenue month and similar trajectory is seen in July as well. The EBITDA stood at Rs. 4.11 crores as against Rs. 1.90 crores in the previous corresponding period, increasing 116.91% year-on-year. While our raw material cost increased due to change in product mix, EBITDA margins improved due to higher sales and relatively lower other expenses. The net profit for the quarter is at Rs. 1.23 crores as compared to Rs. 0.58 crores in Q1 FY21, a year-on-year growth of 117.43%. Our EPS for the quarter was Rs. 1.44. This is all from our side. We can now open the floor for questions.

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 Suraj Nawandhar from Prithvi Finmart.

Suraj Nawandhar: My first question is regarding the difference between the standalone and the consolidated numbers. If I look at the revenue, there is hardly increased of like couple of crores but if I look at the expenses which are above EBITDA line they have grown by about 4 to 5 crores. What am I missing here, if you can throw some light on it?

Abhijit Kanvinde: I agree that the difference between consol topline and the standalone topline, the sales are above by around 2 crores. And the expenses are but this is in subsidiary, you must understand that first-quarter sales was almost not there as per our expectations. We in the subsidiaries we sell it to Middle East and other countries and due to the second wave of lockdown, almost most of the countries were in a lock down state. The expenses were higher in the other expenses which were, in subsidiaries they were the salaries to the sales team and other establishment expenses, that is why our profit after tax and for the consol and if you compare it is lower by 1.8 crores as compared to the standalone. These higher expenses I'm sure will be set off in coming quarters when we sell well in our subsidiaries and I am sure in the third quarter we

should expect a good performance and we expect that the consol will bring synergies and consol will be higher than the standalone performance.

Ketan Patel:

Just to add to what Abhijit said, this subsidiary is mainly for Honeywell. So, we have got licenses to sell Honeywell products across 30 countries including India which we got last October. And then we started taking relevant approvals from various governments. For example, if you have to go to Saudi Arabia, you require the SASO certificate, if you have to go to Dubai and Middle East you require the ESMA certificate, the TRA certificate and others. As you might be knowing we are launching a completely new range of air purifiers and also close to almost 55 to 60 models of audio for India and also for international market and for that we have to have an international sales team. And we don't have a subsidiary in Middle East. So, all our expenses currently are booked in the Hong Kong subsidiary and that's why you will see this difference between revenue because all the expenses for the Honeywell business are being put into that subsidiary. So, in quarter's time probably next quarter when we talk, you will see a considerable change it to that and also you will see that the efforts and the investment what we have made into the international market will start bearing fruits because the margin in India we get 10% to 15% basis more margin then we sell in international market, gross margin. So, in India if you make 40% gross margin, in international you make 50% to 55% margin. So, the expenses are set-in, the revenue has not started. That should start from mid-September to October when we launch the audio and we launched the air purifier range in India and internationally both. I hope we have answered your question fairly.

Suraj Nawandhar:

Yes, very helpful. Q2 also we will see some consolidated being less than standalone and Q3 onwards we will see consolidated being higher than standalone, right?

Abhijit Kanvinde:

Yes. That's what we are hoping and we are definitely hoping that things will pick up. July has been a good month for us. So, if we maintain this traction with grace of God, we should be doing well.

Suraj Nawandhar: In last con-call you had given a guidance of 750 to 800 crores of revenue. So, now given the impact of the second wave, would you going to revise that guidance or stick to it?

Abhijit Kanvinde: We would like to stick to it. We have given a guidance of almost 750 crores of top line and which we will surely cover this by the end of the year. And we had given a guidance of 18 to 20 crores of PAT so we hope that we should be able to maintain 2.2% to 2.5% of PAT and we should be comfortably be able to reach to what guidance we have given earlier.

Suraj Nawandhar: We are going to do our, the Honeywell business through Hong Kong subsidiary. So, with whatever there is going on with respect to sort of an anti-China thing. So, do you see any impact in future on that subsidiary?

Ketan Patel: We had an option whether to have the subsidiary in Singapore or to have the subsidiary in Hong Kong. We thought Hong Kong would be better because its proximity to China. If there is ever an impact, we can easily move the subsidiary to Singapore but one thing we will have to remember that the dependence on electronic business is overall on China so there may be anti-Chinese sentiments in India but that's not reflected across all the geographies where we would be doing the business that's the case one. And second, if the sentiments are there for still the ecosystem for the next 5 years-7 years does not look like that, the dependence on China can move out. And the last part is if the Make in India and we 100% support that, that if the Make in India campaign picks up well then whatever is our consumption for India can be then outsourced to an Indian manufacturing company.

Suraj Nawandhar: My next question is regarding the preferential allotment that we have done to raise funds for the new business that we are aiming for the Honeywell business. Why not do Rights issue instead of doing a private placement?

Abhijit Kanvinde: It's a good question. Please appreciate that, the investors what we have got, we were in talks with them for almost 2 years. They were observing our performance and after 2 years they offered to invest in us. The second point is on rights. As you all are aware, Rights issue is something is at the option of the

shareholder to fulfill or to put in. We thought that this was a correct positioning that we get the investment through preferential mode because if some rights are not subscribed then we do not have that guarantees of the inflow of money and it's a long process. Also, we were always on the toes. We thought this was a better option but going forward if there is an opportunity we will definitely like to go in for Rights issue in coming years.

Suraj Nawandhar: My next question is on the e-waste management. If I go on your website there's a separate tab for it but I don't see anywhere in investor presentation or anywhere mentioning about it anything. What do we exactly do? Do we get any revenues from it? What is our business model if you can throw some light on it?

Ketan Patel: There are couple of things for that. Anybody who is into electronic trade now falls under EPR Extended Producer's Responsibility. The brands which are present in India, they fulfill their EPR responsibilities, the brand which are not fulfilling in India their agent or the distributor who gets the product, they have to fulfill the EPR responsibilities. And as the part of the EPR responsibility, we have to publish on the website what are the measures we are doing for the e-waste management, which are the centers from where we pick up the material and other cases. Currently we are not thinking of making any revenues from them. It's just a statutory thing which we are fulfilling for our brands and for the Indian government.

Moderator: Our next question is from the line of Sunil Menezes, an Individual Investor.

Sunil Menezes: I think we talked Ketan a month back. I think in an investor call. So, you answered some questions on the guidance for the year. I am interested to know more about Honeywell business. Last time you mentioned that maybe this year we will target around 100 crores and we will further grow to 200 crores next year. This is the business which can improve our margins substantially. You mentioned that we have around 35% to 40% of gross margin here. If you can give more guidance in that. Because that is where I think last time you mentioned that the Marriott and some hotel groups are also interested in the purifiers. We are launching that product shortly; further we are expanding in

Middle East. If you can give us some guidance on what trajectory we will be in, in this business this year and maybe next year.

Ketan Patel: Thank you Sunil ji. I believe you are joining from Bahrain.

Sunil Menezes: From Abu Dhabi.

Ketan Patel: Yes, Honeywell is the very important pillar in our strategy as it delivers close to 40% gross margin to our business and higher in international markets and look, there is product cycle right. So, when you say that last year Honeywell business was close to 16 crores and by this year it will become 100 crores. That is because of two reasons. One is we have extended geographies and currently we have almost now 250 products in Honeywell, in mobility, in power conditioning, in air purifiers and now audio. With air purifier and audio, they are very consumer-oriented products and their CAGR is growing very high. Air purifier in India was a seasonal product mainly for the Northern part of the country. But because of COVID now everybody wants a far better quality of air and that's why air purifier has become a like the basic necessity as you wanted a refrigerator, washing machine, air conditioner, TV. Now everybody wants an air purifier. So, currently also if you see this year's strategy, we are only aiming to open the Middle East, Saudi Arabia market. And then next year we want to go to the other market. Any product to become popular also for the retailer to sell also requires a 3-to-4-month cycle before he understands the product himself. So, currently we are on the right run way. For example, if our last month's figure if you also we see Honeywell should be around 3.5 to 4 crores already. By the end of the year, we should be between 80 to 100 crores. As we open territories like Singapore, Malaysia, Thailand which falls as a license to us; we definitely think that next year 200-250 crores is an achievable target. We just signed up a couple of days back with Al-Banali Group the leading distribution house owned by the Sheikh of Bahrain, they signed up with us for Honeywell and as we tie in more and more distribution houses in Middle East we are sure that this guidance can be 100% met and as far as our guidance is concerned we take a very-very conservative approach because we don't know and how long the COVID effect would be there. So, this is a very conservative guidance we've taken. If you see the overall audio market, the audio market is

close to \$25 billion yearly, so if we do well in 3 years' time our audio business should be close to 300 crores just the audio business if we do well.

Sunil Menezes: My next question is on Ckart, I think you have been mentioning in couple of calls that this is initiative and we know that internet enabled businesses are doing extremely well in this COVID times. So, any plans on moving Ckart as a subsidiary or what is the future plan, anything other than keeping it as a part of Creative or we want to move it to a different company or different structure?

Ketan Patel: Very good question and I think you read my mind kind of. One thing we are very clear and sacrosanct of the fact that the platform business or the new age internet business requires different skill-sets, different culture and different remuneration structure also. So, we have a very good board, we have Professor Suresh Bhagavatula from IIM. He's a PhD in social network; he has his colleagues who teach platform businesses at all the B-schools. So, we are talking to a lot of them to understand that what should be the right treatment to Ckart for the future. Currently we don't know whether we will spin it off or something, but we will wait for the board's advice we will understand and then we will take it forward. So, currently we have not decided anything on that. But in a quarters time we should be able to have a blueprint. So, we have a vision for Ckart for 2024, which I think in our overall vision we have spoken about it. So, whatever is the necessary organizational structure is necessary to achieve that, we will do that. But currently we have not decided.

Moderator: The next question is from the line of Ayush Agarwal from Mittal Analytics.

Ayush Agarwal: Most of my questions have been asked, but I'm just taking an update on Ckart that you know what are the key metrics that we are tracking for Ckart and how are they doing? Is it average or how many more retailers have we on boarded? What other metrics is the team looking at and what is the progress on them?

Ketan Patel: So, we track various matrices on Ckart, there are two ways people can put order on Ckart. One is the direct the retailer or the distributor puts the order on Ckart or second is my sales team can put an order on Ckart. So, we follow that matrices and our constant endeavor is that all the orders get put in by the retailer

or the distributors themselves. So, from inception we launched it in August as software and then we moved ahead, so more than 15,000 orders currently and more than (+200) crores sale has started happening on Ckart. Ckart and Creative are kind of the same side of the coin, so mostly everything is there. Now our seller module is also in place and with the seller module the retailer or the distributor will be able to offer their own products on Ckart. So, with Ckart overall what we are trying to do is in the business what we are your money is into only two things. One is it gets into inventory and second is credit and with Ckart we are trying to create a platform where we can play on somebody's inventory and if there are larger numbers of buyers on the platform, we don't have to extend credit. So, then it becomes our blue ocean that the two most important things credit and inventory your money does not stick and the customer gets the convenience of ordering, convenience of having his own name, marketing material, convenience of tracking his order, convenience of having his own website, so that's one thing. Second metric is that we check with how many platforms Ckart can get connected. Because we think that the future is that one platform will talk to other platform and then offer products of each other to their respective customer. So, that's the second matrices we work. Third is we also try and see that how many orders can Ckart overall handle and then the basic matrices of how many customers visited Ckart site, how many times they spend on the site, how many people opted for training, how many people opted for discovery of new products? So, these are the various matrices we are looking at. While we are quite old into the brick-and-mortar business, this is fairly kind of a new age business. We understand it well, but we are looking at skill-sets which can do better justice to this business.

Ayush Agarwal: Just to request that along with the presentation we can have even Ckart on the orders that were processed during the quarter and with sales value and number of orders and how many retailers will be onboard, that would be really helpful for the community to know how the platform is driven.

Ketan Patel: Got it, so you are saying that we also start publishing progress on Ckart separately, right?

Ayush Agarwal: If there are no competitive reasons to not do it, I think the company should do it as a good practice and if it will help the investors learn more about the company as well.

Ketan Patel: Surely, will speak to the board and will try to incorporate this.

Ayush Agarwal: My second question is when we look at the imaging results this quarter, it's quite high. I mean, 8.5 crores revenue and 4.7 crores segment results, so what am I missing here, what happened this quarter in this segment?

Ketan Patel: So, couple of things there, one imaging is still under performing overall because of the travel restriction. So, imaging has suffered for two ways, I see it as more than COVID the whole problem with CGIT because of the cheap shortage, which is affecting the car, the television and for ours also supply chain is a huge issue. If you can secure supply chain and if you can get it on time or at least you get the supply, then the sales can happen because the world is slowly opening up so we think that by next quarter travel and tourism and outdoor should pick up the pace. Second is the profit which you see more than 50% is because we readjusted our cost of goods. As you know we had one case going on for GoPro, so in parts and pieces our refund for that money is coming back and that by accounting standards we have to adjust it into the cost of goods. So, the cost of goods going down and that's why you see such a huge profit there.

Moderator: The next question is from the line of Ravindra, an Individual Investor.

Ravindra: So, my question is talk bit about the competitive landscape about the business like who are the main competitors that we see the growth trajectory in the medium term 3 to 5 years.

Ketan Patel: Good question. But I think because of COVID and because of our millennial's generation being 70% less than 35 years of age being more than 70%-75% of our country we think that electronics is the new FMG. So, you've fast moving consumer goods now you've FMEG, Fast Moving Electronic Goods because for the millennial the gadget is what is latest right? And today if the COVID was not there the availability was abundant every product was kind of similar,

every product specification is kind of similar. So, the biggest differentiation is product which gives a great customer experience. And as a company we think that we want to pick up products which resonate with the new FMEG kind of generation and who are looking for the great experience product. So, if you look at our recent tie-ups also say Hyperice, it helps you to move. So, today a lot of people with a sedentary lifestyle they sit in front of laptops or people go for walk, for cycling, so it does two things it helps you to either warm-up before your exercise routine or the walking routine or it helps you to relax your strained muscles during online gaming or you sit on the computers for a long time. I gave you this whole context is because there are very few companies who really-really are into this segment. so we are a decent size company. If you consider distribution then our peers can be Redington and Ingram and other peers but they are huge-huge companies their 50% of business comes through mobility where we're not there in the mobile phone business. If you consider into the licensing space then somebody like a Page Industry does a good thing on the licensing space in the listed space I'm saying. In the platform business either Udaan or Indiamart could be there. So, currently it's kind of two-three businesses into Creative Newtech and so you'll have to take your call when we become say Honeywell become 30%-35% of our business then we can call that we had a kind of a licensing business company like a Page Industry or say Ckart becomes larger than that. That way there are some companies which do businesses like us but they are much regional and nothing is national. So, consider Hyperice when they were in India for almost two years and they didn't have a right I will not say right partner they didn't have a partner which could be across India. So, now when they want to scale up and they want to really do it big I think they sponsored a lot of Olympic teams across the world Olympic athletes actually, so they want to do that and that's how we became their right choice for that. I hope I have not confused and answered your question clearly or did I confuse you more?

Ravindra:

No, got some idea. My last question is do you have any further plans to raise funds this year or maybe next couple of years?

Abhijit Kanvinde: No, we've recently done a round of equity raise, so we don't think with our existing debt structure and additional equity I think we should be able to go will be at the yearend as per as our requirement of fund goes. In case additional money required we will float it through working capital loan or debt, but not this year.

Moderator: The next question is from the line of Suraj Nawandhar from Prithvi Finmart.

Suraj Nawandhar: So, my question is right now if I'm not wrong, we do only hardware distribution right now. So, is there any plan to get into distribution of the software's of the cloud services or anything of that sort?

Ketan Patel: So, kind of our company is placed so before any product or software services or whatever we take there are couple of things which we want. One is we want exclusivity. Second is we want to certain fixed margin from that side. If you want exclusivity and fixed margins then there's we should be able to value add otherwise that relationship cannot work a lot. So, once the cloud services side and all you are more of an agent where everything happens between the two companies and there is no value add on other side. But yes, it really helps you to have a great cash flow because usually there is not more working capital request, so if an opportunity comes in we are not averse to it, but we are not actually actively pursuing that opportunity. On the other end we are trying to do non product items so where you have only digital delivery and not physical delivery, so something like an extended warranty, something like 3-year cover, something like marketing services that we are trying to build it on the Ckart platform but not generally.

Suraj Nawandhar: I just needed a bit more clarity on the Honeywell business. So, when we will start as and when we will start the Honeywell business, so will we be paying a fixed royalty to them or how does the revenue sharing between us and the Honeywell works?

Ketan Patel: So, couple of things, we already started the Honeywell business. Right now, we have added two more categories. One is air purifier and audio. We are already into passive networking in Honeywell. We are already into mobility

solutions, so your docking stations, your chargers and other stuff and we are also into line conditioning equipment of Honeywell. So, these two ranges we would be adding to that. Second is, we also have now almost 30 countries in to our portfolio where we can use the Honeywell logo for contract manufacture and market the product. Now Honeywell operates very simply, they want the factories to be audited by themselves so you can manufacture products only which are audited by Honeywell. Second is it wants a fix loyalty on your first fare, so after buying from the factory when I sell my products I pay a royalty of close to 3% to Honeywell and the last one is that before the products are dispatched the Honeywell wants to do the QC. So, if we follow these three things and you also obviously have a minimum guarantee for the royalty because they want you to develop a market in a certain way, so these three things if you do well then Honeywell does not bother you much. Of course, as a partner it helps you by giving you specifications. It helps you by suggesting which models will work. It helps you in getting so for example, the Marriott Hotels worldwide are going to use the Honeywell air purifier de-facto and that's the relationship with Honeywell brought to us because of their association with Honeywell in terms of air conditioning, temperature control, other stuff, so that's what Honeywell gets. Now why did we choose brand licensing is because if we develop a product can we put over brand name, we may get a 10% mark-up. But if we develop a product and Honeywell's brand name is used, we could make a 30%-40% markup. When we go abroad with the Honeywell name, we get a seat on the table people take us seriously and the last is the knowhow which keeps coming from Honeywell as knowledge sharing. So, when we are launching the new air purifier, they said instead of HEPA11 used HEPA13, it will help you to stop the COVID virus because HEPA13 has the 0.1 filtration and COVID virus size 0.15 micron. So, that's how Honeywell keeps adding value to this. In the agreement which we now renew till 2025, now we have got fixed royalty. So, tomorrow if I tell my Honeywell royalty it's fixed at a certain fixed value. So, above that I will not have to pay to Honeywell.

Suraj Nawandhar: So, even if that 3% of the sale value goes above that agreement value you will not pay?

Ketan Patel: So, when you say 80 crores it is 3% kind of the value. But tomorrow if I do 120 crores also, I will not have to pay 3% then the value remains the same.

Suraj Nawandhar: So, whichever is the higher we have to pay?

Ketan Patel: No, in this case whichever is the lower we have to pay.

Suraj Nawandhar: On the Ckart business model so the people who are not distributors of the creative and use the Ckart platform. Do they have to pay any charges on let's say registration or do we charge them for every transaction that they do?

Ketan Patel: Currently two ways the revenue can work. One is by cost optimization; in a distribution business the number of partners you add more that much manpower you will have to require, that much customer support executives you will require, with Ckart all that gets eliminated because the person also does that. Once we get a substantial traffic then brands will become would want to get the real estate on the first page of the screen, so from marketing you can get the revenue. Second in Ckart there is one good feature that any partner who wants his own website can get his own website in three hours with our 4000-4500 products on that website. So, he gets upgraded from a retailer to omni channel partner with retail and online and this partners right now everything is free to them after they reach a certain stage we may think to monetize that and that last part of the revenue is if as a platform we give Ckart to use to some other partner, then probably as a fast model we will be able to get the revenue. Currently because it's part of creative it's not charging any transaction fees to creative because the whole financing, funding, development has been done with creative resources, so currently that's the stage.

Moderator: The next question is from the line of Pradip Jalui, an Individual Investor.

Pradip Jalui: Just wanted to get information on the other brand apart from Honeywell which you mentioned last time that you want to have around 30%-35% of the business coming from licensing. So, any progress made on that, have you zeroed in on the other brand and you know what stage are you on that?

Ketan Patel:

So, you are talking about new licensing brands; we have initiated talks with a couple of brands our internal team suggests that we build the business of Honeywell to close to 250 to 300 crores that's 25% to 30% of our top line and then start doing other brands. Having said that to get because of our learnings we have understood after Honeywell, that you can't go to the market with a category which is not complete. You can't go to just single country. All that and you will require registrations, certifications and they all require a 5-6 months period. So, we are in talks with a couple of brands and we are looking at if we can get a lesser SKU's, higher ASP kind of product with that brand, then probably another 8 to 10 months we will be able to go ahead. So, we are talking to a couple of them. I will not say that we are into the fag end the discussion, but we have just initiated the discussion and started.

Pradip Jalui:

If you just would share this data-point what was the sales in the month of June?

Ketan Patel:

June we did 69.73 crores, that was our highest ever sale and in July also we surpassed June we were close 70.15 crores. So, these were consecutive month highest ever sales. So, June I would have associated to because we had almost not worth for 45-50 days and June was the first clear cut working. Because this time in the COVID it was not about West and Mumbai it was more about South, Kerala been closed, Chennai been closed, Bangalore, Pune been closed, Calcutta been closed for a while that's the case. So, I think June was part of that but July also was a great month.

Moderator:

The next question is from the line of Sunil Menezes an individual investor.

Sunil Menezes:

It's actually nice to hear a lot on Ckart, so you mentioned that this is a first of its kind B2C business in India and it appears truly a disruptive business model and you mentioned that anyone can do business through Ckart. But we all know that internet driven businesses all depend on how the masses of people at large are aware of the brand, so have you done anything or are we doing anything so that we popularized this Ckart either through social networking or some other channels?

Ketan Patel:

So, couple of things, one is that I'm in a dilemma because I live quarter by quarter currently. My quarterly results are so important currently and because of COVID we are not generated substantial profit into this business. So, I completely resonate with you in terms of that we have to ramp up the marketing and that's what is our internal plan. That as our internal accruals start building up and we start looking at the path of the 2%-2.5% then part of that can go on building up the Ckart platform. Plus, also currently there is one circle of our 8000 odd retailers or business partners who work with us whom we want to get them completely on Ckart. Second, the BPL lightning business we started where we are getting distributors and retailer so that we want to onboard to Ckart. So, right now, the lower hanging fruits for the next 3-4 month are that first we can get our people on Ckart and our pitch also changes with the seller module till now we were saying, "Buy products from Ckart". Now we are going to partner and saying, "Sell your products on Ckart" and any retailer, any partner is more enticed when he hears this word that we help them sell not help them buy only, so I think that's the case. Still a quarter because the times are so unpredictable that you have to plan month by month and not year by year that's the case. So, completely agree with your fact and that's why if you go back to the previous question what Suraj asked in the start, we will overall have to wait for a while and see that what is the treatment we give to Ckart either we hive it off our subsidiary or what do we do that the case.

Sunil Menezes:

Next question is, you know with Ckart you mentioned that we can do so many things and one of the stuffs you mentioned last time in I think during in Q4 call that with Ckart our partners and retailers can sell other products as well, right? That is Samsung or some other brands which they are carrying. With that what coming I think this is a great opportunity for us where you know if our retailers can sell their products and we can get X percentage as a commission or whatever it is, so that should go directly to our bottom line. So, do we see this as an opportunity so that we can encourage more our retailers and it can improve our profitability as well?

Ketan Patel:

So, that's what we call it a seller module and we have already launched our seller module. We have tried with 7 to 8 retailers and see India is such a country

that every brand has their own strategy. So, today also Samsung besides GST also coming in place, for Puna I have material buying Puna only I can't buy material for Samsung in Bombay and shipped to Puna, because they track all their inventory by region by serial number. And this Ckart has to resonate that fact also. So, when a seller comes from my side and tries to sell some material say LG which is not supposed to sell then that's a reason or vise-a-versa sometimes the seller tells us that I can sell only for this region, so my product should be displayed only on this region. So, when we launch the seller module and we did our beta and then we spoke to a few partners and then there were few suggestions which came from them and we have built up their suggestions like they wanted a calculator which could tell them that what is the final amount they will get back from us. Then they wanted kind of ETA to be displayed there, then they also wanted the Amazon pricing to be displayed, so what is the offer they should give. So, all that we have built it up, the beta is happening and I am sure that will really-really change the dynamics for Ckart and for Creative as a whole.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for the day. I now hand over the conference to Mr. Patel for closing remarks.

Ketan Patel: I thank the entire team of Creative for their untiring efforts, hard work and dedication, which makes the company resilient to upheavals such as the pandemic. Also, I appreciate all of you for participating in our conference call. Please do get in touch with our investor relations same for any further questions. Thank you.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Creative Newtech Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.