“Creative Newtech Limited

Q4 FY '25 Earnings Conference Call”

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Moderator: Good afternoon ladies and gentlemen. On behalf of Creative Newtech Limited, we extend a warm welcome to all participants joining us for the Q4 and FY '25 Earnings Conference Call. We sincerely appreciate your presence as we reflect on the progress made this year, highlighting key business milestones and the path we envision for the future.

This conference call may contain forward-looking statements which are based on the beliefs, assumptions, and expectations of the company as of date of this call. These statements are not assurance of future results and are subject to risk and uncertainties that are difficult to predict.

As a reminder, all participant line will be in listen-only mode until the question and answer session begins. Kindly note that this conference is being recorded. If you need any assistance during the call, please press star followed by zero to signal the operator.

With that, I am pleased to hand over the call to Mr. Ketan Patel, Chairman and Managing Director of 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 Q4 and year-ended March 31, 2025. I would like to begin by thanking you all for taking the time to join us today. Joining me on the call are Mr. Abhijit Kanvinde, our CFO, Mr. Vijay Adwani, our Whole-Time Director and SAAA Consultants, our Investor Relations team.

As we close FY '25, I want to take this opportunity to share not just the results but the philosophy that drives Creative Newtech forward. Creative Newtech has always believed in doing things differently. We are not just a distributor, trader or a franchise but a value-driven partner with deep capabilities across engineering, branding, marketing and distribution.

Our focus is on showcasing the full range of what CNL stands for – innovation, precision and value creation. We do not just move products, we build markets, shift categories and help global brands find a lasting home in India.

One of our greatest strengths has been the ability to adapt fast, innovate with intent and execute with discipline. We have used digital platforms not just to expand but to open up new markets across India and beyond. Even in a complex global environment, our teams have delivered and we are proud of that resilience and commitment.

What excites us about is what next to come. We are stepping into an exciting phase of growth, shifting from low-margin distribution to a higher-margin business model, expanding through smart acquisitions, launching our own brand, products and exploring new categories and business ideas that align with our strengths and the market-evolving needs.

At Creative Newtech, we are building for the future with optimism, clarity and a deep belief in the value we can create together. Thank you for your trust and for being a part of this journey with us.

Now I will hand over to Mr. Abhijit Kanvinde, who will take you through the financial highlights for the quarter and for the full year.

Abhijit Kanvinde: Thank you and good afternoon to everyone. FY '25 has been a year of building with intent. We did not just expand, we aligned, refined and built a path that leads towards growth. We are no longer chasing short-term quarterly goals. We are now looking at a three-year roadmap, one that is rooted in long-term growth and creating value for our stakeholders and shareholders.

I am pleased to share that our operating cash flow has turned positive after a long time. This is a strong validation of the strategic direction we have taken. It is also important to note that in FY '24 there was an outlier of sale of Ckart, which contributed to higher reported profits. While our margins have remained positive and growing, we have seen some pressures recently, largely because we are being selective about choosing the right brands and partnerships that align with our long-term vision.

We are actively looking at region's markets where we are not yet present. There is significant headroom for expansion and we are approaching it with thoughtful and progressive steps. Also, we are stepping up our investments in marketing and branding to scale up the top line, to attract right brands and give our own brand the visibility it deserves.

Above all, we have deep conviction in what we are building. Our ambition is not to just grow, but to become the next generation multinational powered by our own brands and driven by long-term purpose. I will now take you through the key highlights of our consolidated financial performance, following which we will open the floor for questions.

Please note, our finances are prepared in accordance with the Ind AS guidelines. Looking at consolidated Q4 FY '25 results, the company reported a total income of INR408.72 crores. The quarterly EBITDA stood at INR19.08 crores and the EBITDA margin for this quarter stood at 4.67%. The PAT for the quarter is INR13.73 crores.

Looking at consolidated full year results, the company's total income for FY '25 stood at INR1801.47 crores. The EBITDA for FY '25 stood at INR72.86 crores and the EBITDA margin for this period stood at 4.04%. The PAT for FY '25 came in at INR53.11 crores. This marks a healthy performance across revenue, profitability and cash flow.

FY '25 wasn't just about financial progress, it was about building momentum. The consistent uptick in both EBITDA and PAT reflects our disciplined execution and the strength of our business fundamentals. Our focus on sustainable value creation, operational strength and strategic growth has positioned us well for the road ahead.

That concludes the financial review. Thank you everyone.

Moderator: From the line of Sudhir Bheda from Bheda family office.

Sudhir Bheda: Good morning, sir. Congratulations on the good set of numbers considering that last year was an exceptional gain of INR10 crores. It's a good set of numbers, sir.

Ketan Patel: Thank you so much, Sudhir bhai.

Sudhir Bheda: Sir, I just wanted to ask on the Honeywell business. In FY25, how much we did in Honeywell alone, our branded business?

Ketan Patel: Only the brand Honeywell, we did Rs 255 crores.

Sudhir Bheda: And what kind of EBITDA we generated, sir?

Ketan Patel: On Honeywell, what kind of EBITDA we generated?

Abhijit Kanvinde: Normally, we generate around 15% to 17%.

Sudhir Bheda: Great. Sir, I just wanted to ask about the current FY '26. So what kind of revenue growth you are focusing as far as Honeywell business is concerned? And then on the consol basis, what kind of sales growth you are envisaging? And EBITDA guidance if you can give.

Ketan Patel: So Sudhir bhai, couple of things. First thing is, Honeywell will keep growing the trajectory as we are growing at almost, we try to grow it by around 70%-80% every year. So that we will keep growing. Plus, we are looking at a couple of other opportunities also into that space. So time to time, we keep evaluating a lot of licensing opportunities and other brand opportunities. So roughly, our idea is that over a period of 3-4 years, we should grow at a CAGR of 20%-25% usually. That's what we are planning.

Sudhir Bheda: Over the consol basis?

Ketan Patel: Yes, on the consol.

Sudhir Bheda: And just to understand the Honeywell business, I think once we cross some benchmark turnover, then I think overhead and everything will be absorbed on the last day. So then EBITDA margin can be improved. So is it a right understanding?

Abhijit Kanvinde: Yes, let me take this question. This is Abhijit. While we are working in 12-13 countries right now, we need to expand from 13 countries to at least 5-7 more countries. We have a license to go to 37 countries. So when we expand the country, we need to invest in people first. So for us, it is who first and then the sales numbers.

So investment in people and infrastructure will have a cost. Surely, there will be operational leverage. But it will come after a year or so. Till that time, these numbers of EBITDA will be similar. After one year and a half, when we have reached to 17-18 countries, then all this operational leverage will come into play and we will improve our EBITDA numbers for sure.

Sudhir Bheda: And how is the response to Singapore and other countries, the 12 countries?

Ketan Patel: So the response has been quite well in Middle East and Southeast Asia. When I say Middle East, Saudi Arabia, now we are present in the retail. So there are similar to what D-Mart is here. There were Nesto stores there. So now we are present at 450 Nesto stores. And similarly, in Lulu, Saraf, DG, these are the large retail chains in Dubai. And in Kuwait, Algamen is there. So all these places, we are currently present. We just had our launch in Vietnam.

And it was a very good launch there. And the products were received very, very well. Overall, if you see, Sudhirbhai air quality and air purification is no longer a problem confined to a single city. We were surprised that in Vietnam also, their cities are quite polluted. And they would just come after Delhi-Bombay in terms of pollution. That's the case.

And the air purification, as the economy moves and the per capita income grows, it becomes more of a lifestyle thing rather than a necessity. So we are seeing a lot of adoption, mainly in Southeast Asia, where our initial thoughts were that air purifiers won't do that well. They're doing quite well.

And I think in the next three to four years, they should become like a water filter or a RO. They will become every household necessity. And this trend across Southeast Asia and across the Middle East, we are seeing. Second advantage is you make a higher percentage of margin there because people spending power there is much more.

So initially, your investment in manpower, because the salaries are also much higher, they are there. But over a period of time, as you rightly said, when we'll reach a certain scale, then we'll be able to add 2% to 3% more on the EBITDA level. That's what it looks like. Currently, the brand Honeywell has a good resonance across these territories. Middle East has a far better resonance than actually India also. And we are looking forward that it will build up well.

Sudhir Bheda: Great, sir. Thank you, sir, for the opportunity.

Ketan Patel: Thank you, Sudhir bhai. You have been on our call, I think, for the last four calls consequently now. Thank you so much for finding. Thank you so much, sir.

Moderator: Thank you. Thank you. The next question is from the line of Amit from Robo Capital. Please go ahead.

Amit: Great. Thanks, sir, for the opportunity. My first question is on the Honeywell licensing agreement. So when is it coming for renewal? And at the time of renewal, typically, do the commercials will also come up for renewal?

Ketan Patel: So you said your name is Amit, right?

Amit: Yes, that's right.

Ketan Patel: Yes, usually your colleague joins. Rishikesh?

Amit: Yes, that's right.

Ketan Patel: Yes, yes. So Amit, a couple of things are there. First of all, Honeywell's license is renewed every five years. And the license agreement is kind of a perpetuity if you pay the minimum guarantee. And if you pay their royalty on time, it gets auto renewed every five years. Our renewal will come end of 2025 in December for Honeywell. Usually, Honeywell has taken a four-to-five-year plan from you while they signed up the agreement.

And in that, usually the royalty is kind of moved just by overall on the sales number it moves. Otherwise, it's constant at a fixed value. So it is not a negotiation every time when you renew because your sales numbers keeps increasing, their royalty keeps increasing only when you add a geography.

So for example, Europe is not with us, right? If tomorrow they add Europe, then they would ask additional royalty for that. But otherwise, the royalty number is not discussed.

Amit: Right. And so how is the relationship there? I mean, typically, you know, I mean, any comments on how the relationship is at the HQ level or the Asia Pacific Middle East level? Where is the relationship, Amit? And how strong is the relationship?

Ketan Patel: Amit, we are part of Honeywell Inc. Honeywell Inc. is the Honeywell Corporation based out of US. And we reported directly to HQ. In the HQ, there is a trademark and licensing division. And in US, a lot of brands have a trademark and a licensing division, which is run by, say, in Honeywell's case, they have six people who run that division and you interact with them. And they have three things, checkpoints, actually.

So one is before you yourself set up a factory or you identify a factory who will do the contract manufacturing for you, they will audit that factory. Then they will kind of co-work with you on the specifications. And when the factory produces the goods, they will do the QC. Along with us, we will also do the QC. So that's the Honeywell part of the production and the factory audit and managing the quality.

Second, they have something called the Honeywell Design Language System. So every communication, every piece of packaging, every product gets uploaded there and it gets approved by and whether it's conforming to the Honeywell Design Language System. Once it conforms to that, then only the product is released for manufacturing, actually. So that's the case.

Third part is every quarter, they have a review with you and they give you a scorecard on a scale of 1 to 5 on 10 to 12 parameters. And on that 10 to 12 parameters, they would give you scores on various things about how are you managing the factory audit. How are you managing the service of the customer, how are you managing the innovation of that. That's the case.

And we had just our meeting for the last quarter and our score was highest ever till date. We have got a 4.8. So that's their feedback mechanism and that's how Honeywell runs this, overall the licensing business.

Moderator: The next question is from the line of Sheersh Jain, who is an Individual Investor.

Ketan Patel: I didn't get the name, please.

Moderator: Sheersh.

Sheersh Jain: I want an application for Honeywell numbers for Q3 and Q4.

Ketan Patel: So you want category-wise or you want completely?

Sheersh Jain: So just the Honeywell revenue for Q3 and Q4. We have the full year number. If you could also provide for Q3 and Q4.

Ketan Patel: So Q3 was INR98.23 crores. Because Q3 is our highest quarter all the time. That's the time when the pollution also hits all the Indian cities, because of the winter and the Diwali firecrackers and other parts. So Q3 was 98.23 and Q4 was 65.40.

Sheersh Jain: Sir, I see this question is from Sir Abhijit. Sir, I see that there is a rise in inventory and receivable days for FY25. Our cash flow is improving, but what's your take on this? You know, still higher receivable and inventory days. How should we analyze this?

Abhijit Kanvinde: Yes, I will take your question for sure. You know, in the month of March, our sales was almost INR212 crores. Okay. So technically, that is why our raters have been a little higher than last financial year. It has been last year INR117 crores. It has become INR208 crores. This is one. Simultaneously, our creditors, if you note that the creditors in the last financial year was INR39.67 crores, which has grown to INR118 crores.

You know, whatever around INR70 crores increase in creditors has been because of the March purchases what we did. Technically, our working capital has been okay. Number of days has increased from average 32 in the last financial year to 39. Okay. We will be now constantly working on it and you know, on an average we feel that we should be around 35 days. Okay. So we are going to bring down our working capital from 39 to 35.

That is to answer your first question. After a very long time if you are noted, operational cash flow has been positive. Last year, it was INR26.29 crores negative. This year, for standalone, it is almost INR14 crores positive. Consol, it is even better. It is INR21.85 crores positive. So I think we are getting the reason. Okay. And we will be working towards being operations, operating cash flow positive going forward. Okay. Do you think it is a good sign?

Sheersh Jain: Yes, sir. That is definitely a very healthy sign. Operation cash flow turning positive. So this leads me to a question. How do we intend to utilize the cash now? Are we planning to increase the dividend? Are we planning to put it into the new buckets? Are you planning new entry into new jobs? How are you planning to use the cash?

Ketan Patel: Three things are there. First, I will just conclude what Abhijit said. Couple of things also drive our decision. One is the geopolitical situation, right? Because of the Trump's tariff, that is the first part. Because most of our material is manufactured in China. And our cables and our audio, part of it is manufactured in India. But the supply chain is still with China. And then our government stand of Make in India.

And then using certifications and standards to control imports so that we Make in India. And that also kind of rules our thoughts when we plan the inventory. For example, there was no BIS on air purifiers. And this October, they are thinking of putting BIS on air purifiers. We have now 14 models of air purifiers. So obviously, our season also starts from end of September, October.

So usually, we will then not want to jeopardize our inventory movement because the BIS may take a lot of time. Because sometimes, they want that you get into a JV with a local Indian company to manufacture a certain product or you get into a contract manufacturing activity. So that becomes your point that whether you will stock more inventory and you will manufacture more inventory.

And that also kind of takes up the inventory days. Because of the war situation which we had in India, we also decided to hold a larger inventory because we did not know whether the movements will be happening in the right way, especially in the northern part of India. So there are certain decisions which we take. And that point of time, we have a set parameter. But sometimes, we have to stock more than the set parameter. That's the first part.

Coming to your second part of the cash flow, so our aspiration is to be the first consumer brand coming out of India going global and going to various geographies. And also, our aspiration is that we want to be a product company and a brand company, just like how the pharmaceutical industry is there, right? They engineer the product, they design, they do packaging, they market, they do everything and go to the world.

So we would now kind of open up newer markets for Honeywell. Also, we would be looking at some point of time launching our own brand into the various geographies. And we also found that it's more profitable to have your brand sales outside of India because they have a higher capital.

And third is look at some potential where there's a synergy, where one plus one at least becomes three and not two, and try to acquire a certain kind of brand. So that's where we want to use that money. Second, because of the Make in India government initiative, a lot of brands are also being now introduced in India by various entrepreneurs.

But when you have a brand and you want to manufacture it, the supply chain cycle is at least 120 days. So we want to work with innovative brands which are coming out of India. And also grow their business in India. So that's what is the -- thought process currently.

Sheersh Jain: Yes, but do we have a concrete plan on which countries will we add this year in the Honeywell business?

Ketan Patel: Yes, we have a step-by-step plan for each country which we want to go. And you know how the e-commerce space is, right? And that expertise on the e-commerce platforms allows you to go to various geographies immediately if you have the right number of reviews and if you have the right performance marketing and product team.

So we have a step-by-step plan of going to each place depending upon their population first. And then depending upon how their currency is performing in the various markets and how is the situation there. So currently our plan is to grow Saudi Arabia to the maximum because it's a very, very large market with the right kind of the population there.

We already started selling our products on Egypt Amazon. So if that picks up well, then we will develop Egypt because by the size of the population, they are also a very large market. But we don't want to have any credit exposure or currency exposure there because their currency does not perform well.

So we are looking at a partner that side. On the Southeast Asia side, now Thailand, we have the right kind of three distributors there. And that's the market we would like to go after. After Thailand, we would want to go after Indonesia. But Indonesia is a very different market. There are TikTok rules.

And the whole of e-commerce and sales is happening through TikTok. So we now have the expertise to do live commerce. So that also, we are looking at that space. Then there are these countries of Europe and America where we don't have Honeywell as a licensee. So still we are planning on the Board whether we should go there with our own brand because the product ID, the technology, the design specs everything we have developed that's the case.

Sheersh Jain: So that's very comprehensively explained. Thank you for that. I have just two more questions. One, if you could provide a bifurcation of Honeywell business as to how much was sold in India and how much is international sales of this INR278 crores that happened in fiscal ‘25?

Ketan Patel: INR255.17 crores happened in fiscal ‘24-‘25. Out of that, India was INR133 crores. And outside India was INR121 crores.

Sheersh Jain: So the split is roughly 50-50?

Abhijit Kanvinde: Currently, yes. Currently, but we are in a growth phase. So as and when we keep adding more countries.

Ketan Patel: We have grown in India much faster. But right now, the BIS and the certification takes around seven months. You can grow much faster in countries where the certification is not so long. So like Thailand has a lot of certification. Egypt has a lot of certification. But to that matter, Dubai, Singapore, Malaysia, this side, Kuwait, Saudi Arabia has a much shorter cycle of certification. So that's where we would probably, for new product introductions, grow faster.

Sheersh Jain: Understood. Sir one last question. So we have been constantly saying that audio has a great potential. But sir I see on Amazon, we have consistently received poor reviews on our audio products. And not just one or two products, across the whole suite of audio products, there are mixed reviews, if not completely poor reviews. So what are we doing to address these issues?

Ketan Patel: So three things, sir. And you've studied our portfolio very well. A lot has to be done over the audio space. Because if you don't win the audio space, then if you want to, if you win that category, that's a $3 million, almost 27,000, 28,000 category. And we should win in that category. That's the first point.

Coming to audio, yes, the reviews are poor in that category. And that's why we started our journey from being a low-to-mid-end brand to becoming from a mid-to-premium-end brand. On Amazon today, the case is that if you sell 100 units, then probably 10 people will give review. And in that 10 people, also 7 or 8 are such people who are dissatisfied with your product.

They would give the review. Only a couple of them who are satisfied will go. Because usually, this is until customers would write the review. That's the case. Second, time is the only essence.

Because there is no other way. Because you may spend tons of money on marketing. But if you don't have the right reviews, you can't come up on the front page.

And if you can't come up on the front page, you can't do. So we are kind of trying to experiment with 2 or 3 different ways by which the product does well. And last is also that because you are a new entrant, and in all the other categories, you are winning on Amazon. So people get worried. And sometimes, there's sabotage, right?

So for example, what stops you from buying my 5 products and giving negative review even if you liked it, right? And the Amazon algorithm is such that whenever you look at reviews, it has to show you 2 negative and 3 positive reviews. So that's the case. So that's the tougher journey. And it would take certain time to go there.

But if you now see my air purifiers, for example, I am almost at 12,000 to 13,000 reviews. And there, it's a tougher call for somebody else to dislodge me. In the audio space, we have taken it up very seriously this year. We kind of have got 2 marketing teams trying different things to see whether how do we grow that business.

The only silver lining for audio currently is that it is very well received in Middle East. And I think from there is where I will get reviews and my India sale will increase. That's what I'm hoping.

Sheersh Jain: Yes, so we will keep a watch on the reviews. And I hope the marketing efforts do result in positive reviews. Sir, one feedback. If we could also provide Honeywell numbers on the quarterly press release, then it would save a lot of time on these calls. Because Honeywell numbers are consistently the first question that all the analysts want to know. So maybe we can add that number in the quarterly press release and these questions can go away.

Ketan Patel: This request was there a few quarters back also. And then we had discussed internally and then discussed with the concerned teams also. And they said that once you end your full year number and then when the next quarter numbers you could start. That's when you could give the brand number separately because currently Honeywell is the only brand and the distribution number separately.

Abhijit Kanvinde: So we are going to revamp the presentation from next year. We wanted to have a parity for quarterly presentations. So that's why you will see important changes in the next quarter.

Moderator: The next question is from the line of Rohan Patel from Turtle Capital.

Rohan Patel: Yes, thanks for the opportunity. Just one clarity I want. When do you show Honeywell result in your segmental breakup?

Ketan Patel: When do you show Honeywell result in what breakup?

Rohan Patel: Segmental breakup, like in electronic.

Abhijit Kanvinde: Segmental?

Rohan Patel: Yes.

Abhijit Kanvinde: Segmental, it will be in FMSG.

Rohan Patel: FMSG?

Abhijit Kanvinde: That's right.

Rohan Patel: Now my other question is, what would be your total licensing income? Income from licensing products.

Ketan Patel: Okay. So, Rohan, when you say income, is the Honeywell thing you are saying?

Rohan Patel: No, no, total with Cyber.

Ketan Patel: Okay. So CyberPower is just in the development stage. I think last -- this quarter was the first month when they started selling at least more than 20 PCs a month. So currently all the income is of Honeywell. So Honeywell was last year INR255 crores. So that's the licensing revenue. And with CyberPower, it's licensing plus JV. So it's like a brand which you own in India with them. Yes.

Rohan Patel: Okay. I got this. Okay, so from that INR255 crores top line in Honeywell, can you just give us a breakup of which were the major products that contributed to it? Like any 3-4 products that might have contributed 60-70%?

Ketan Patel: So air purifiers and our IT accessories, they are both leading the lot, right? So if you take air purifiers and IT accessories, they would be leading. Then you have the Honeywell SCS. That's the structured cabling product. That comes and last comes our audio. The structured cabling is getting good response because Honeywell is very famous in the infrastructure space and in the building materials space.

So the receptiveness for the brand is higher. So first is air purifier. Then is IT accessories. Then is structured cabling. And fourth is audio. And in the air purifier, all the products are doing quite well. But the entry-level products are doing better because the consumers are still evolving. So they want to try the products and do. In the IT accessories space, our HDMI cables are kind of number one in India.

Our docking stations are also doing quite well. And our travel chargers and our mobile chargers are also doing exceptionally well.

Rohan Patel: Okay. So just if you can throw a percentage on how much would be air purifier? Just air purifier out of INR255 crores?

Ketan Patel: Air purifier will be close to 30%.

Rohan Patel: Close to 30%. And sir, when we started this Honeywell licensing agreement, so sir, how much of money we have spent on capex?

Ketan Patel: So we would have spent a lot of money. But because we spent it on dyes and we spent it on certification, which is our CFO's point of view is not to put it into capex, but to expense it out as an opex. So every year, for example, last year, we would have spent almost $400,000 only on certification, which would have expenses out.

Overall on the air purifier space, we would have also spent a similar amount on the dyes and other stuff, which is expenses out.

Abhijit Kanvinde: The reason being certification is something which is a revenue expense. In case of dyes, you know, it is very difficult to know the exact life and how much you will produce out of that particular mold. Okay. It's a very technical thing. And sometimes the products do not, some products click well, some products do not click well.

So we had that policy of not depreciating it over two, three years. We used to, you know, charge it off actually. For the last five years consistently.

Ketan Patel: For example, we just worked at a design agency and we wrote in them to design an HDMI collar for the jacket which goes over the HDMI. We asked the design agency to design it. The quote is INR7 lakh just to design a collar. So Abhijit says, I can't capitalize this. If we take that, that quarter, you expense the INR7 lakhs out. That's how it is.

Rohan Patel: So like, do you have a facility where you manufacture this or do you contract it out?

Ketan Patel: No, everything is contract manufacturing. Currently we don't have, don't intend to have any of our factories.

Abhijit Kanvinde: We have been -- our Board has given us a guidance to be asset light. You know, there are many methods, but we are asset light. And we have around 16, 17 factories in China, 2 in Taiwan and 2, 3 in India, you know, where from where all Honeywell products come.

Rohan Patel: China, Taiwan and India? Yes. Okay. You source it from there?

Ketan Patel: Now more and more we start partnering in India because the government wants a lot of products manufactured as a JV or as a contract manufacturing partnership in India. And we are lined to that also. So as the capability of the Indian manufacturers keeps increasing, we are working closely with them.

Rohan Patel: And sir, with our share growing of Honeywell, do you think the product mix of Honeywell might be changing or do you think it will still be more focused on air purifier?

Ketan Patel: No, the product between the air purifier and the IT accessory, I would think the IT accessory is a much better and a safer bet because they are smaller products, right? So once you build the market for that -- for a challenging brand to come and to take that market will take a lot of time. Whereas in the air purifier space is a newer category.

So a lot of brands want to try their hands with air purifier. A lot of brands tried and vacated that space. And so there always will be a competition. And so we'll have to spend a larger amount of money on the air purifier space. Having said that, we have not even touched or scratched the potential for any of the categories. For example, air purifier is going at a 24%-25% CAGR.

So every four years, it should double, right? So from the current market just in India of INR2,200 crores, it should go to INR4,000 crores, INR4,500 crores, right? Audio is already a $3 billion or almost INR24 crores, INR25,000 crores. IT accessory is almost similar amount like audio. So any of that category, you start doing well or your couple of products become hit products.

Sky is the limit in that. So over a period of time, the categories should stabilize. Right now, we are focusing very hard that the IT accessories and the audio -- that's what we are trying.

Rohan Patel: And just one question. This is broadly on what industry dynamics is changing. We have heard that government is putting strict norms on CCTV camera where they don't want people dependent on China. So have you guys have any plan of entering into the distribution of CCTV or getting a licensed product of CCTV because it's a very large market which was in hands of only few Chinese players.

And you also deal with Honeywell, which is one of the top CCTV players in America or any other players in CCTV?

Ketan Patel: So, Rohan, yes, the government has been very strict on the CCTV camera market because it's also a matter of national security. Plus, the government also wants a lot of products. They want us to become a manufacturing economy, right? And that's why we look at a lot of options from time to time.

But our only philosophy is that we don't want to get into the categories where we don't have a right to win. And the right to win is only government subsidy. Because the government subsidy sooner than later will end. And then you will not have a leadership position in that space. So the CCTV camera is quite an interesting space and we are also looking at it.

But to our mind, instead of the entry-level cameras, if somebody focuses on the enterprises side of cameras, it would be a great thing. So we keep evaluating a lot of stuff this way. For example, HDMI cables, we are importing 100%.

Now, one of our vendors has set up a factory in India. So we are running a trial run to check whether the same quality, same spec, everything is. Because currently, the raw material still keeps coming from outside of India, right? That's the space. So we are working on it.

Rohan Patel: Just last question. So can you just give us your target if you have set for FY26, like a top-line target, as well as the EBITDA and PAT level target you want to achieve, and as well as for Honeywell?

Ketan Patel: So this year, kind of, we thought that we don't want to give a lot of profit guidance because our business has a lot of moving parts. And we are a very fast-growing company. So we may want to take certain bets in certain markets. That's the case. Having said that, qualitatively, we would have a trend in both profits and turnover. And our aspiration is to kind of grow at a CAGR of 20% to 25% across a period of 4 to 5 years.

Rohan Patel: And just last question. So it seems to me that Honeywell has grown from INR170 crores to INR255 crores this year. And seeing our top-line at a consolidated level, just going by INR23 crores. So it does look like we have de-grown in our distribution business. So can you explain what has led this?

Ketan Patel: Yes, so the distribution business has been very flat this year. A couple of things are there, right? The electronic industry as a whole, there is a price erosion of a product. So for example, a product is introduced in the month of January. By the end of December, the product would -- price erosion would be there for between 15% to 20%. So in distribution, if you have to grow your business by, say, 15% also, then you'll have to actually grow by 30%, 35% in that space.

Because we are quite choosing the types of brands we want. And we want experiential brands only because that's our long-term plan. That we want to have four to five our own licensing or our own brands, and three to four experiential brands in our product portfolio. We could not get that kind of brand. Hope that this year we could find a couple of brands and we'll grow there.

Abhijit Kanvinde: And this is the first year after 2, 3 years, or 4 years, I think that the revenue has been flatter. Because I've been talking to investors for the last 4 years, me and Ketan. So this year, yes, the distribution business was flatter. Ketan could give you the reasons. But nevertheless, next year will be a good year. That's what we hope, I think so.

Rohan Patel: So is this assumption right that this year we might have grown in volume terms around 15%, 16%, but due to price erosion, that could not be reflected with our top line growth?

Ketan Patel: Yes, and we did not add any new major brands. Because usually in distribution, you have this advantage also that you add a couple of brands and that you can take care of that price division. But we did not add any brands.

Rohan Patel: Okay, yes. That was from my side. Thank you.

Moderator: Thank you. The next question is from the line of Tanish Bansal, from ShareIndia Securities. Please go ahead.

Tanish Bansal: Hi. Good afternoon, sir. Thank you for this opportunity. Am I audible?

Ketan Patel: Yes, you're Tanish, you're audible quite well.

Tanish Bansal: Yes, sir. So I got the sense of enterprise business being flat. But when I was looking at the segment wise results, enterprise business has dropped, like even though the revenue is the flattest. So could you please throw some light on why the results or the profits are declining?

Ketan Patel: Okay. A couple of things. First is enterprise business is a very low margin business. And enterprise business, our philosophy is that not to block our any capital there. And it's a more of a back to back business. So last year, there were not many opportunities in that space. So the enterprise business. And if you see actually, in the first quarter only, we had done a business of -- almost we had a decline of INR220 crores in the first quarter.

Abhijit Kanvinde: Yes, first quarter has come on the year on year. So we knew that enterprise business will be lower as compared to the previous year or flatter. So also enterprise business is a product mix business, which is an opportunity business. So you keep on getting different margins for different products.

Ketan Patel: So that was the case. This year, learning from that also, we have kind of tweaked the product portfolio. And there's a lot of opportunities in make in India brands. So we are going to see how we can hedge our bets on the enterprise business.

Abhijit Kanvinde: Hello.

Moderator: So the current participant got disconnected. [Moderator Instructions] The next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: Yes, thanks for this opportunity for follow up. As we have seen that our Other Expense for 2 year or year on year has been by INR38 crores, like approximately INR28 crores. So can you explain what was the major head that led to this increase?

Abhijit Kanvinde: You are referring to Consol Other Expenses, right?

Rohan Patel: Yes, Consol, yes.

Abhijit Kanvinde: The major cost has been marketing in the Other Expense, okay. So, you know, the bottom line could have been much better. But out of, and I'll try and give you a wake up, but almost INR24 crores, INR23 to INR24 crores out of this has been spent on advertisement, marketing and building the brand, okay.

Ketan Patel: So I think I may and pardon, I may be slightly off my figure, but I think previous to that we had spent close to INR7 crores on the marketing and this year we had spent close to INR23 or INR24 crores on marketing. And that was a very conscious call because we said that let's increase the base in the various markets where we are, right? So when I spoke about in my this call that we are at Nesto, so at Nesto you have to give them listing fees and you have to give them in-store promotion fees to get your products.

So we spend a lot of money and this year also we intend to spend a lot of money on marketing to come to a sizable size. Then we will start spending lesser money on the marketing as per the industry standards.

Abhijit Kanvinde: So that was the major cost. Another cost was the employment cost, around INR11 crores, okay. And rest of the operational expenses of a couple of countries.

Rohan Patel: Okay.

Abhijit Kanvinde: So can we - this is a conscious call we have taken that we will do a brand building and spend more as compared to the previous year. So in my speech I also said that we are no longer chasing short-term quarterly goals. We would be looking at 3 to 5 years of horizon and build our brand. The existing brand is of course Honeywell and CyberPower. So we are not shy and not spend on marketing and building the brand.

Rohan Patel: Okay, I fully understand that. As you are building brands and adding new brands, you need to spend their marketing and create that process. So can we take this INR23-INR24 crores as a base? And how much will that grow when we say we want to grow our top line by 20%-25%?

Abhijit Kanvinde: Actually, as we grow - this brand building is a percentage, but, you know, it is not every time variable. So as we have spent some fixed marketing expenses, they will reap the fruits. Obviously, the intent is right now I am at the exchange of revenue. Then the intent is that the percentage will fall and I get the synergy of revenue. So you can't really say, but definitely we will increase the marketing expenses for the next 1 year or 1.5 years. Till the time we reach in all countries, okay. And then it will start falling.

Rohan Patel: Okay. So we can take this INR23-INR24 crores as a base and it can fluctuate about that. But this will be a base for next 2 years because as we are…

Ketan Patel: So Rohan, I will just explain to you again so you get an idea. Usually, the brands which are established spend 7%-8% on marketing. Currently, if you want to make on Amazon, you will have to spend close to 15%-20% of marketing. The channels of reaching the customer are changing, right? You did not have quick commerce a year back. Now, quick commerce is there.

So to get on a quick commerce, to get your store on a quick commerce and to start becoming visible on quick commerce, you will have to spend a lot of money there. So ideally, currently, we would be spending still between 14%-15% of our sales on marketing for a period of time until we reach a sustainable and large volume in the categories. Then we will start reducing that. So that's the whole plan. So for example, if we say double the Honeywell business, then almost the marketing will not be doubled, but at least the marketing may go from 15%, at least 15% it would be.

Abhijit Kanvinde: Yes, 15%-20%.

Rohan Patel: Okay. Yes, that's the answers. Thank you.

Moderator: Thank you. The next follow-up question is from the line of Tanish Bansal from ShareIndia Securities. Please go ahead.

Tanish Bansal: Yes. Hi, sir. Sorry, my call dropped. Could you please repeat what you said for the enterprise business?

Ketan Patel: Okay, Abhijit, you want to go ahead?

Abhijit Kanvinde: So enterprise business is an opportunity business, okay. So yes, last year in FY '24, the margin of enterprise business on a gross level was around 2.61. It has fallen to 2.09, okay. And the turnover is flat. But you must understand that since it's an opportunity business, you get the different product mix business. So sometimes you get higher margins, sometimes you get lower margins. Some quarters we do better, some quarters we don't, okay. So that's the nature of it.

Ketan Patel: Enterprise business, last year, first quarter only we lost a sale of almost INR200 crore plus. And then over the year we did the sale, but that INR200 crore we could not recover. Otherwise, enterprise business would have a INR200 crore extra top line.

Abhijit Kanvinde: Correct.

Ketan Patel: Having said that, because it's a back-to-back and we don't want to have any extra capital put into that business, this year also we'll look at the opportunity there. But this year, just to kind of protect ourselves, we will work with a lot of make in India brands, so that on a back-to-back basis, so that we don't see a sharp decline on that. So that's what we are going to try this year.

Tanish Bansal: Okay, sir. So for this Q1, I know you have not given any guidance, but how can we look at this Q1? Because last year we saw some drop in enterprise business. So just to get an idea, like, can we see some similar drop in enterprise business in this Q1 or how will it be?

Ketan Patel: So this Q1, for example, April was -- and part of May went quite subdued because of the various geopolitical things happening. But overall, there is quite a good uptake on the e-commerce side of the business and plus on the corporate side of that business. So we think that we will grow a little over quarter-on-quarter of last year. But usually our most significant quarter is the OND quarter.

So business is usually low in the first quarter of April-May-June because there are vacations, people have bought a lot of material in mass. That's the case. So it could be similar to what it was last year.

Tanish Bansal: Okay, sir. Thank you so much, sir. Just last thing you have given, air purifies revenue share of Honeywell. Can you just give revenues of the IT accessories, audio and structured cables?

Ketan Patel: So in the INR255 crores, I just rounded up for you to understand. So air purifier was close to INR79, audio was close to INR50 crores. IT accessories was INR84 crores, the highest category. And Honeywell SES was close to INR41 crores.

Tanish Bansal: Okay, sir. Thank you so much, sir.

Ketan Patel: Thank you.

Abhijit Kanvinde: Thank you.

Moderator: Thank you. Ladies and gentlemen, with that, we will take the final question. I now request Mr. Ketan Patel, Chairman and Managing Director of Creative Newtech Limited to address us with a closing thought.

Ketan Patel: Thank you, everyone, for joining our quarter 4 and year-ending FY '25 earning calls. We remain focused on staying at the forefront of the industry by delivering innovative products, while fostering value for stakeholders. In case of any queries, you may reach out to our consultants or connect with us directly. Thank you for being part of our growth story. Thank you so much.

Abhijit Kanvinde: Thank you very much.

Moderator: Thank you. On behalf of the entire team of Creative Newtech Limited, thank you for being with us today. We truly value your time and engagement. The conference call has now concluded and you may now disconnect your lines.