



Speed
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COMPUAGE INFOCOM LTD

21st November 2017

To,
The Corporate Services Dept.
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.

National Stock Exchange of India Ltd.,
Exchange Plaza,
C-1, Block G, Bandra Kurla Complex,
Bandra (E),
Mumbai - 400 051.

Security Code: 532456
ISIN: INE070C01037

Symbol: COMPINFO

Sub: Transcript of Analyst Call held on Wednesday, 15th November 2017 at 2.00 p.m.

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we enclose herewith the transcript of the tele-conference call with the analysts held on Wednesday, 15th November 2017 at 2.00 p.m., to discuss the financial performance for the quarter and half year ended 30th September 2017 and allied matters.

Please take the disclosure above on records.

Thanking you,

Yours faithfully
For Compuage Infocom Ltd.

Disha Shah
Company Secretary



Place: Mumbai

Encl: As above.



“Compuage Infocom Limited Q2 FY2018 Post Results Conference Call”

November 15, 2017



**ANALYST: MR. SONAL KUMAR SHRIVASTAVA - KIRIN ADVISORS
PRIVATE LIMITED**

**MANAGEMENT: MR. ATUL MEHTA – CHAIRMAN & MANAGING
DIRECTOR - COMPUAGE INFOCOM LIMITED**

- Moderator:** Ladies and gentlemen, good day and welcome to the Compuage Infocom Q2 FY2018 Post Results Conference Call, hosted by Kirin Advisors Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Sonal Kumar Shrivastava from Kirin Advisors Private Limited. Thank you and over to you Sir!
- Sonal K Shrivastava:** Thank you very much. Good afternoon everybody. I welcome you all to Compuage Infocom Conference Call post Q2 results hosted by Kirin Advisors. We have with us on call today, Mr. Atul Mehta who is the CMD of the Compuage Infocom. The structure of the call will be like, he will first give a brief about the company, the highlights of the Q2 and first half results and then subsequently we will open the floor for Q&A. I will now handover the call to Mr. Atul Mehta. Over to you Sir!
- Atul Mehta:** Very good afternoon friends. Thank you very much for joining us on this call today. Let me give you a brief update on the Q2 performance. Sales revenue of the company grew by about 20% year-over-year to Rs.1133 Crores. EBITDA for the same period grew by 5.2% to Rs 24.76 Crores. There was a marginal decline in PAT from 6.79 Crores to 6.55 Crores in the corresponding period. If I were to summarize the performance on the whole, I would say the performance has been very satisfactory especially on the back of economy recovering from the demonetization that took place in November 2016 followed by GST, which went into effect on July 1, 2017.
- As far as GST is concerned, product categories that we deal in bulk of it fell in the category of 12% and 18%; however, there were some skews, which fell in 28%. During this period as in the past, the company continues to engage with prospective vendors to further strengthen our product portfolio. We have as on board over 32 product lines as of now and we are continuously working towards strengthening the same both in the IT and mobility space.
- I think that is all from my side. I would now like to throw open the lines for questions that you would like to ask on the Q2 performance or anything else for the matter of fact.
- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Akash Jain from Ajcon Global. Please go ahead.
- Akash Jain:** Sir, my question is regarding the profitability, our year-on-year profitability has declined and it is evident that our finance cost has increased and also other expenses have increased, so what has led to increase in other expenses?

Atul Mehta: One, profitability is the function of two aspects out here; one is the competitiveness of the industry, second is the product mix that we carry, so while we are trying to improve the product mix for our healthy bottomline during the period, PC component business grew, which has the lowest profitability in the business, so therefore that was one of the reason. Second, there are economic challenges especially on account of GST. There is more intense competition in the industry, so I think both these aspects has led to decline in profitability that is the point number one. Point number two, in terms of the other increase in finance cost and increase in other expenses, I think finance cost while in absolute terms it has gone up, but as a percentage to sale it had come down, so I would say it is an improvement on that count and other expenses is I think one of the major activity has been the increase the marketing outlay that the company had of K7 that we are driving the business, so I think these are reasons why the other expenses have gone up.

Akash Jain: Secondly, I wanted to understand, last year I think we had tied up for distribution of LYF phone that was meant for Jio, so just wanted to understand the sales for other mobile phones picks up and if this inventory remains unsold then what do we do with that inventory?

Atul Mehta: The way the industry works is first of all we carry limited period of inventory. In mobile phones we carry inventory for about two to three weeks. We do not carry more inventory and normally it is very easy clear off that stock in the event the business of LYF slows down or the other brands prick up. While LYF business let me acknowledge has not been on the line that we had estimated to be, but we have no inventory that we have stuck with on account of may be slower sale.

Akash Jain: Thank you. That is all from my side.

Moderator: Thank you. We will take the next question from the line of Sumanta Kundu from Individual Investor. Please go ahead.

Sumanta Kundu: Sir, good morning and I would like to know that why these operating profit margins are too low? Why it is happening continuously, so are you thinking for the future to bring up the operating profit margin more?

Atul Mehta: The operating margin, if I look at the historical trends it is ranging from about 3.6% to 4.2% and that is the kind of benchmark that is prevailing in the industry, so it is not that our operating profit is lower, being a distribution company, our role is very clearly to make the products available to the resellers in the farthest corner of the country, we have a limited role in the supply chain and therefore these are the margins at which we operate, so it is not that our margins are lower than that of our peers. However, we are working towards improving the profit after tax. That we are working towards three things. One is we plan to grow the business whereby economies of scale will set in, second with volumes increasing there will also be operational efficiency improving in the existing business and third we are trying to improve the product mix whereby we can improve the gross margins marginally

as well as reduce the finance cost. That is the function of the product mix. So all these three things moving forward in fact we were working towards improving the bottomline this year itself, but this year has become a little challenging on account of slowdown on an account of demonetization, on account of GST, etc., nevertheless, I am very hopeful of ending the year on better PAT than the previous year and moving forward I am sure it is going to grow up.

Sumanta Kundu: Another question is, is there any possibility you are bringing, any new things, new product launches something, so something new in the business so that shareholders and your business will grown in exponential manner?

Atul Mehta: We are definitely working towards that, as I mentioned in my address that we are continuously engaging with other vendors, which are not there is a portfolio to grow the business, so we are in talks with brands, but there is nothing concrete that we can announce today until we sign the agreements we would normally not make any announcements or really advance announcement because that would not be fair to the principal or us, but we are hopeful of signing anywhere between one and three product lines before the end of this financial year. So, that will definitely help us to continue to grow anywhere between 15% and 30% as per the plan that we would like to grow by, so we are striving to work towards that.

Sumanta Kundu: Thank you.

Moderator: Thank you. The next question is from the line of Akash Jain from Ajcon Global. Please go ahead.

Akash Jain: Sir, my question is regarding a new relationships with new vendors, one is Apple and second one is Targus, Sir wanted to know what is the progress because the new government is emphasizing its thrust digitization, so as we know Targus is in the complete range of copper and fiber connectivity product, so I wanted to know what is the progress of that relationship?

Atul Mehta: Targus, the company that we have signed up is in accessories, so that is not into fiber and copper related products, it is into laptop bags, mouse, keyboards and those kind of product, so that is a small product line, but gives the healthy bottomline and therefore we have tied up with it, so it is moving slowly and steadily in the right direction. As far as Apple is concerned, we have been signed on for Apple for their accessories range of products and July, August, September was the first full quarter of the business. We started the business in the months of May-June as we all know because of GST was a very, very low slow period, but July, August, September has been a good quarter for us. We achieved the goals that we and Apple together had set for the period and it is moving quite smoothly.

Akash Jain: Thank you, Sir.

- Moderator:** Thank you. We will take the next question from the line of Akash Jain from Ajcon Global. Please go ahead.
- Akash Jain:** Since the last two quarters have been subdued because of the GST and demonetization, going ahead in the most optimistic scenario what can our ROE be like?
- Atul Mehta:** I will not be able to comment on it at this point of time because I do not want to make too many forward-looking statements, but one thing that I have already mentioned that we are working towards enhancing the profit after tax and if we do that automatically ROE will improve, so I would say we are in the right direction on that front.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Sonal K. Shrivastava for his closing comments.
- Sonal K Shrivastava:** I thank you all for connecting on this call for an update on the Q2 results. If there are any queries you can reach out to Kirin Advisors or to the company directly. We will be happy to address those queries. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, with that conclude's today's conference. Thank you for joining us. You may now disconnect your lines.