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COMPUAGE INFOCOM LTD

23rd August 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
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Symbol: COMPINFO

Sub: Transcript of Analyst Call held on Thursday, 17th August 2017 at 4.00 p.m.

Dear Sir/Ma'am,

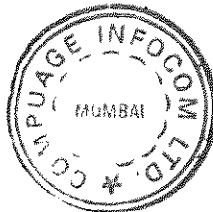
Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we enclose herewith the transcript of the tele-conference call with the analysts held on 17th August 2017, to discuss the financial performance for the quarter ended 30th June 2017.

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 Q1 FY2018 Results Conference Call”

August 17, 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 Q1 FY2018 Results Conference Call, hosted by Kirin Advisors. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” 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. Thank you and over to you Sir!

Sonal K Shrivastava: Thank you. Good evening everybody. I welcome you to this Q1 FY2018 results conference call of Compuage Infocom. We have with us today, Mr. Atul Mehta who is the CMD of the company. He will briefly take you across the company’s results and the operating highlights and then subsequently we will open the floor for Q&A. I will now hand over to Mr. Atul Mehta. Over to you Sir!

Atul Mehta: Good evening friends. Welcome to this Q1 results call that we have scheduled today. Let me briefly take you through some of the highlights of the results that were announced earlier in the week. The revenue of the company have year over year grown by 9.6% from Rs.685 Crores to Rs.752 Crores. EBITDA for the same corresponding period has grown by 13.8% from 14.60 crores to Rs.16.6 Crores and profit after tax has also grown by 13.6% from Rs.3.38 Crores to Rs.3.84 Crores. Now this is as far as the numbers are concerned. I do not need to emphasize more I think enough has been said on GST. Beginning May, the business did start slowing down because of the destocking that the entire trade fraternity undertook not only in the IT and mobility industry, but in every other industries as well. Despite the slowdown of business, I would say the company has done quite well to grow by almost about 10% in top line and by about 13.5% to 14% by the bottom line, so I would say the results to that extent are quite satisfactory as far as the company is concerned. Apart from the numbers in terms of the other highlights, which I would like to share with you is that during this period, we have got into three new relationships. We have signed up with Checkpoint for the SMB range of data security products. We have also signed up with Targus for their entire range of accessories and third, we have signed up with CommScope for their Systimax range of copper and fiber connectivity products and information management solution. These three our new relationships for which the business would have started typically it takes about six months’ time for the company to benefit on this account. Six months is a kind of for getting into planning session with the principal companies, arranging for the inventory, going to the market and developing partners for the same. As communicated earlier, we had signed up Apple in the previous quarter, the business of which undertook in the period starting May 2017. However the real business will only kick start from this July quarter because of the GST that came into implementation stage. Our relationship with Apple to begin with is for the accessories that are just a beginning and moving forward we definitely will be strengthening this relationship by adding more products in our portfolio. Apart from that, I think we are strengthening our go to market strategy. We are working towards enhancing deeper penetration in the markets and adding more and more resellers and system integrators. Currently we are catering to

more than 10,000 resellers spread across the country and the plan is to increase the same to 15,000 over the next three years. We will not only increase resellers, but we will increase the city penetration, which is currently at about 800. What I mean by city penetration is that we have resellers in almost about 800 cities and towns, which in the next three years we plan to take it to 1200, so we are preparing ourselves for the markets to grow faster beyond the metros, so that when the markets grow faster in those cities and towns, we are well entrenched to take advantage of the same. I think that is all from my side. We will now throw open to all of you for any questions, inputs, or anything that you would like to share with us.

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 Nilesh Karani from Magnum Equity Broking. Please go ahead.

Nilesh Karani: Good afternoon Atul Sir.

Atul Mehta: Good afternoon Nilesh Bhai.

Nilesh Karani: The thing is just now to understand the impact of GST everything is I think almost by September quarter, you will come to know like what is the real impact of this GST coming in correct?

Atul Mehta: Correct.

Nilesh Karani: So now keeping that aside this three new relations what you are talking about CommScope and other two, see you spoke in your presentation like probably after six months you will realize, so what type of revenues we are looking at and what type of growth coming from that arena?

Atul Mehta: See we do not want to get into too much of projections in terms of what we plan to get out of these relationships, but to share you in a very broad manner any new relationships, the idea is A it fills in the product gap in our portfolio, B it helps us penetrate more and more resellers whom we are not able to tap for maybe their wanting the same or similar product line, and C it ultimately results in revenue contribution and profitability contribution to the organization. So having put plans in place, the plans I would say it is based on certain surveys that we would have done in the market place, certain estimates that we have done, but it is still relatively crude until we get into the businesses and spend two quarters, three quarters of business, we will then be able to quantify that in the next financial year that is FY2018-FY2019 that okay this product line may contribute towards approximately so much of revenue, but it will definitely help us in growing the numbers more significantly in the next year than the current financial year.

- Nilesh Karani:** Sir just one more question is like just can you throw some more light, what these three relationships are about and what we are looking at actually? What are the products they are bringing in for us can you just?
- Atul Mehta:** First is the Checkpoint. Checkpoint, it is a leading data security company and the products will revolve around network security, which is gaining a lot of importance today with everything getting done through internet. We are all afraid of security threats and therefore the entire security portfolio is gaining a lot of importance. Compuage as an organization has decided to intensify its foray into this segment because we expect good growth rate over the next three to five years. Second is Targus accessories. Targus is a very prominent American company. It is the largest in its space in the world and it has the most prominent product that we have know of is the Targus bags, the backpack that we all use for carrying our laptops and other things. They of course have several ranges of accessories apart from bags, bags being the most prominent one and third is CommScope, which is into products like passive networking products. Fiber cables are used in creating networks in home, offices, those kinds of environments and along with that, they have several other products that go with that creates networks that we use day in and day out in our offices and homes together. So this is in a nutshell about a little detail about the product category and all these are considering the threat on the security front or considering the infrastructure that is going to grow by leaps and bounds where networking is going to be used in a very dominant manner and accessories of course we all need all these on a day to day basis. So these are all three high growth areas, which we have identified and we are ensuring that we sign up with the world leaders in each of its category. We do not want to compromise in terms of the brand. Yes, it has to be in the A- kind of scenario. We do not want to get into B and C grade of brands as such.
- Nilesh Karani:** Thank you. I will come back if at all I have further questions.
- Moderator:** Thank you. The next question is from the line of Akash Jain from Ajcon Global Services. Please go ahead.
- Akash Jain:** Hello Sir. My question is regarding the new relationships, which we entered in Q4 that was Extreme Networks, Samsung for security and surveillance in CCTV and Xerox. So what is the status of these three relationships and how much it has contributed to the top line?
- Atul Mehta:** Good afternoon. All these three relationships have settled down. Extreme is a networking product category. Xerox I do not think needs any introduction. Basically it is a kind of a multifunctional product and consumable and the third one that you mentioned was.
- Akash Jain:** Samsung Securities and Surveillance?

- Atul Mehta:** That is a physical safety and security product, so all three relationships are stabilizing quite well. We are settling down well. These are not really big ticket products as far as the organization is concerned. We do not get into specific products category breakup as to how much each one is contributing, but I would say that it is doing well despite a challenging Q1 as such. We all know the challenges of GST in Q1. Despite that if we have grown it is due to contribution of several new brands that we added in the last financial year.
- Akash Jain:** Secondly we have been on the strategy of cost cutting on a quarterly basis, so going forward how would our operating margins look like?
- Atul Mehta:** See cost cutting as such I would say.
- Akash Jain:** Mainly related to logistics and...?
- Atul Mehta:** Actions that we are taking on a real cost cutting basis, there is always I would put it the other way, the organization is always working towards improving its systems and processes and thereby improving operational efficiency. I would put it that way. It is not that we are cutting down on people or we are cutting down on certain important processes that would hurt the organization. So that is an ongoing exercise, which continues without any interruption. Our endeavour is always to improve the bottom line while top line contributes towards the bottom line in our industry because it is a volume-oriented products and industry, so if you see that in a very small insignificant manner, we have been able to improve our PAT from 0.49% to 0.51% in the corresponding period of the previous year. I am sure it would have been better as the GST impact not been there because we did end up carrying, sales were impacted, inventories and receivables were impacted. Otherwise had that been on a normal quarterly basis, I am sure this would have been better.
- Akash Jain:** My question is next on inventory cycle and debtor's cycle after this GST impact how would our inventory cycle look like for the next year FY2018 and debtor's cycle for FY2018?
- Atul Mehta:** I think we will settle down by the end of this quarter. Yes we have ended Q1 on a higher inventory and receivables turnaround, which was a very logical thing, so nothing alarming. We do not have unusually high inventory or debtors. When businesses do not grow as fast or when they slow down the first thing to get impacted is the inventory and receivables, but we expect it to come back to normal turns by the end of this Q2.
- Akash Jain:** Any repayment plans for debt and short-term borrowings?
- Atul Mehta:** On the contrary, short term borrowings with increase in business will always increase because working capital is our resources or our raw material to do business, so I do not think we will be reducing that. It will be growing if at all we get into high growth in times to come, but having said

that let me share with you that in the last financial year despite growing the business. I am talking about FY2017. Despite growing by about 14% our actual utilization of working capital was the same that we had... almost same if I were to compare April 1, 2016 and April 1, 2017. That means we have been very efficient in terms of operations of our working capital cycle.

Akash Jain: Three years down the line if we were likely to see this company, so what would be its top line?

Atul Mehta: You are talking about inventory?

Akash Jain: Say for example if you look ahead for this company say the next three years what would be the top line like what are we targeting for the next three years?

Atul Mehta: See I will only share the aspirations that the company is having because our board has kind of decided that we do not want to get into too much of projections, but yes we can share that with you that the company is aspiring to almost double in three years.

Akash Jain: From the current level?

Atul Mehta: From the FY2017 levels yes.

Akash Jain: In three years' time?

Atul Mehta: We are aspiring to become a billion dollar company by FY2020.

Akash Jain: For PAT margin what would be your target like? It would remain around this percent or it can improve up to say 2% or 3%?

Atul Mehta: It will definitely improve, to what extent I am not able to predict at this moment. The endeavour is to definitely improve and it will improve for sure. Having said that, to what extent I will not want to get into estimation at this moment, but I will mention that 2% or 3% is definitely not possible in this kind of business or industry, but that will be definitely better than where we are currently because what will happen is the economies of scale will set in. There will be operational efficiency that would set in. We are trying to work on a better product mix, which would help us improve the margins. So those all... plans are there to how and what extent that only time will tell.

Akash Jain: And going forward what would be our focus? Which product segment we would be focusing like now we have various kinds of products, so are we targeting any particular segment as such?

Atul Mehta: No we are not targeting any particular segment. In the industry parlance or in the industry terminology, we are working towards becoming a broad-based distributor. By broad based what I mean is that we would like to... the space that we have identified as to one is IT, second is mobility.

Within that space, we would like to cover as many product lines as we can. Yes there are certain high-growth areas. Mobility is a high-growth area. Data security is a high-growth area. So these areas will be definitely giving a little more focus that is one thing.

- Akash Jain:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. We take the next question from the line of Shankar Dutt from Kanav Capital. Please go ahead.
- Shankar Dutt:** Thank you Sir. Thanks for the opportunity. Sir my question is, do you have any exquisite contact...
- Moderator:** Ladies and gentleman. The line for the current participant seems to have dropped off. We will move onto the next participant that from the line of Akash Dhoot from Pragya Securities. Please go ahead.
- Atul Mehta:** Hello good afternoon.
- Akash Dhoot:** Good evening Sir. I wanted to ask about the other expenses, I think it has gone up around 44% quarter on quarter, so could you provide us with the breakup of that.
- Atul Mehta:** Other expenses, I do not think could have gone up by 40%, I think it has gone up marginally, and the two things that we want to look at, one is in terms of percentage, second is in terms of absolute number, so if I were to look at the other expenses have gone up from Rs.9 Crores to may be Rs.9.82 Crores approximately. As a percentage, it has gone down from 1.31% to 1.3%, so Rs.80 lakhs or Rs.82 lakhs is not a very significant jump, I will not able to share off the cuff why it would have gone up, but typically what happens is all the expenses that gets classified in this segment are various things like infrastructure, rent and those kind of the things, supply chain. As business increases, our infrastructure requirement increases, which would entail higher outgo of rentals, electricity, communication, freight forwarding, etc. so it is not unless I am missing something when you mention 40%, can you specify what numbers are you referring to?
- Akash Dhoot:** I think it was Rs.6.8 Crores in March 17 and it is Rs.9.8 Crores in this quarter.
- Atul Mehta:** Okay that is employee benefit expense that you have referring to, 6.6-8.2.
- Akash Dhoot:** Okay and one more think I wanted to ask what is the product mix that we are looking at in the future?
- Atul Mehta:** See currently the product mix is between IT and mobility, is approximately 85% and 15%. Moving forward, the way we are trying to grow this business and with our mobility portfolio being small maybe in three year down the line, we would like to be in sync with the industry pattern of 65-35.
- Akash Dhoot:** Okay. Thank you.

- Moderator:** Thank you. The next question is from the line of Shankar Dutt from Kanav Capital. Please go ahead.
- Shankar Dutt:** Thanks for opportunity. Sir, my question is the one contract with Apple. Do you have any exclusive contract at any stage?
- Atul Mehta:** You are referring for Apple or you are referring for the other product line?
- Shankar Dutt:** Apple as well as other product line.
- Atul Mehta:** See in the world of Apple, there are preferential territories allocated to us; however, Apple normally, does not use the word exclusive; however, we are kind of given the focused territories I would use in that way, so for Apple the focused territories where we are supposed to focus and where we are given preferential treatment in northern part and eastern part of India. For other product lines, yes, in the mobility portfolio whatever we are doing are all exclusive territories whether it is Asus smart phones or whether it is LYF smart phones from Reliance or whether it is Samsung smart phones. On the IT side of the business, we have small exclusive territories in certain product lines, IT industry most of the time work from multi distribution mode, but yes, we do have certain products and certain territories on an exclusive basis like AOC monitor is on exclusive basis. We have certain territories in HP, PCs on an exclusive basis for Gujarat. We have Lenovo PCs on an exclusive basis for MP. So, there are certain such smaller territories available on an exclusive basis.
- Shankar Dutt:** And Sir, the finance cost has really gone up, so how are we going to check on finance cost Sir?
- Atul Mehta:** In this quarter it has gone up primarily because of slowdown of business by planning has taken, we normally get into a planning exercise before the quarter begins, and looking at a long-term relationship we normally do not want to change that in this sort of quarter because we worked with all these principal companies on a long-term basis, so we did end up with higher inventory and the receivables, which had resulted in higher finance cost.
- Shankar Dutt:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. We will take the next question from the line of Ankit Tikmani from IIFL. Please go ahead.
- Ankit Tikmani:** Sir, congratulations for the good set of numbers and congratulation for handling so many vendors in the last 15 to 18 months. My question is that given our aspiration of top line that we are talking, is there possibility of some equity dilution or maybe fund raising because we may require funds given that we are into trading business, so can you please throw light on the balance statement also please?

- Atul Mehta:** See as of now we have not taken any decision, so I will not be able to share something whether we have any plans to raise any funds or whatever. As and when we take a decision, we normally take a view of very immediate six months view we take based on which we look at our funding situation our growth that is going to come out in the next six months and thereafter we decide what is the plan that we have to raise if any. So as of now there are no concrete plans and therefore I am unable to share with you. As and when we do take a decision, will definitely share the same with all of you.
- Moderator:** Ladies and gentlemen, the line of the current participant seems to have dropped off. As there are no further questions, I now hand the conference over to Mr. Sonal K. Shrivastava for his closing comments.
- Sonal Srivastava:** I thank you all for connecting us on this call. If there are any queries you can either reach to us or the management directly, we are always available there and may have a good day. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Kirin Advisors that concludes today's conference. Thank you for joining us and you may now disconnect your lines.