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COMPUAGE INFOCOM LTD

23rd February 2019

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 Monday, 18th February 2019 at 4.00 p.m. IST

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 Monday, 18th February 2019 at 4.00 p.m. IST, to discuss the financial performance for the quarter ended 31st December 2018 and allied matters.

Please take the disclosure above on records.

Thanking you,

Yours faithfully
For Compuage Infocom Ltd.

Harshita Shetty
Authorised Signatory



Place: Mumbai

Encl: As above.

“Compuage Infocom Limited Q3 FY ‘19 Earnings Conference Call”

February 18, 2019

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

MODERATOR: MR. SONAL KUMAR – KIRIN ADVISORS PRIVATE LIMITED

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Moderator: Good Day Ladies and Gentlemen and Welcome to the Q3 FY '19 Earnings Conference Call of Compuage Infocom Limited 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sonal Kumar from Kirin Advisors. Thank you and over to you, Mr. Kumar.

Sonal Kumar: Thank you, Margaret. Good Evening everybody. I Welcome you all to this conference call of Compuage Infocom Limited, one of India's leading IT and mobility product distribution company. The conference will be addressed today by Mr. Atul H. Mehta – Chairman and Managing Director. Briefly, he will take you through the company's brief profile, their performance during the quarter, and the business highlights for the quarter and the year ahead. I will hand over to Mr. Atul Mehta, to you Sir now.

Atul H. Mehta: Thank you, Sonal. A very Good Afternoon friends. Let me take you briefly through the numbers and then we will throw open to whatever questions or suggestions that each one of you may have. For the period ended December 31, 2018, Compuage reported an income of Rs. 3232 crores for the first nine months. The company has grown by about 10% as compared to a revenue of Rs. 2932 crores reported in the same period of the previous year. EBITDA has increased by 7.6% to Rs. 71.15 crores for the first nine months as against Rs. 66.1 crores reported in the same period of the previous year. The net profit of the company for the first nine months of FY '19 has gone up by 2.8% to Rs. 16.76 crores as compared to Rs. 16.31 crores reported in the same period of the previous year. The company has reported an EPS of Rs. 2.85 per share for the first nine months of FY '19 as compared to an EPS of Rs. 2.78 per share reported in the previous year of the same period. Everyone knows the broad macroeconomic challenges that the country has been going through in the Calendar Year 2018. I will just go briefly towards the beginning of FY '19 when the country was facing the PNB Bank scam which resulted in banks tightening the credit line and towards the end of the 2018 calendar year, we had the ILFS issue, which resulted in the NBFC that is the non-banking finance company's tightening the credits to the channel partners. NBFCs play an important role indirectly in our business with the channel depend, which is very fragmented, not as organized and depending heavily on the financing arrangements that the NBFCs extend to them and with that getting tightened, the credit in the market also was tighter during this period. If we look at the only Q3 numbers, the revenue has more or less been flat, the company growing by a marginal 1%. I think there were two factors behind it, one was obviously the credit squeeze that the channel fraternity, the industry, and the country was going through. The second obviously was a little weak sentiment overall which resulted in a, I would say more than the normal slowness in the business. Normally, of course, this Q3 is relatively a slow quarter for us because this period has too many holidays, the decision-makers are away, and thereby, there is a little slackness in the business. But I think we saw a little more slowness in this particular period of review. Having said that, I would say we are happy that we did not have a negative quarter both from the top line as well as the bottom line perspective and we are fairly bullish for Q4. We of course would not like to make any forward-looking statements, but I would say the quarter should definitely be much better than Q3 and with that I would just like end my address and would rather throw open this conference call to questions and suggestions that each one of you may have. Thank you.

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- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Nilesh Karani from Magnum Equity Broking Limited. Please go ahead.
- Nilesh Karani:** Just to understand, your forecast basically when we had a con call before this quarter and the quarter before that, Sir, we are projecting around 20% growth in our top line that we had forecasted, if I am not wrong?
- Atul H. Mehta:** Yes, we were looking at about 18% more realistic, 20 was a stretch goal that we had set. We normally set two goals, one is the realistic goal and second is the stretch number.
- Nilesh Karani:** Now, are we cutting down the forecast or we are still on the same growth path or just a clear idea on that?
- Atul H. Mehta:** We definitely will not be able to work on that 18% to 20% forecast that we were looking at, to be very realistic to the situation. Starting with the year from the beginning while we ended H1 at about 15% to 16% growth, so we were still bullish on the same, but Q3 was I would say a dampener where we had no growth as such, which is very unusual despite being a slow quarter. We would and we should have grown by anywhere between 8% to 14%, so 18% to 20% is ruled out. Depending upon how this quarter pans out, we are still working towards about 14% year over year growth. Now, we all know that there is the elections looming large, we do not know when it will happen and that will have some impact on this March business, so that is why we are not able to predict exactly, but we are still looking at this kind of numbers.
- Nilesh Karani:** Just to understand, Sir, are we saying that our consumer story is bit slowing down or can you just throw some light, what is happening in reality?
- Atul H. Mehta:** There are two classes of consumers that we address, one is the consumer-consumer segment, when I say consumer-consumer it is like you and me as individuals that is what I mean by consumer when we talk about us buying personal computers, printers, smart phones for our personal use, and the second part that we look at is the commercial part of the consumers that is the Corporations, the Institutions, the Government, so as far as the story is concerned I would say the consumer part of the business gets largely affected by the sentiments. These are my personal observations and based on the experiences, so I think that part of story was definitely affected in the FY '19 financial year. The commercial part of the business to some extent was affected by the credit squeeze, so I think there has been some impact, commercial part cannot be postponed indefinitely because commercially if expansion plans are there be it infrastructure or when I say infrastructure, I am talking about IT infrastructure , PC upgrade etc. can be delayed, but cannot be indefinitely postponed. So I think these are the two real reasons where we are kind of being impacted in this financial year. If I were to move away a little from the technology distribution what we talk as IT and mobility, if I were to look at last quarter which is a big quarter for India in terms of the automotive because of the festive buying, be it automotive, be it consumer durables, be it consumer electronics, I think all these sectors were badly affected and it is primarily because of the weak sentiments.
- Moderator:** Thank you. The next question is from the line of Akash Jain from Ajcon Global Services. Please go ahead.

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- Akash Jain:** Sir, my question is regarding the subdued performance in this quarter, is it only because of the credit tightening by the NBFC or are we facing challenges on the operational front as well?
- Atul H. Mehta:** I do not know what you mean by operational front, but as an organization we have no operational challenges, so unless there is any specific query that you have you may take it up once I finish answering the other part. The second is one was the credit squeeze, next as I mentioned there were poor sentiments, which I did mention which was kind of not that critical, but I would still like to mention out here during the period of November 5th to December 20th, the PC channel community, PC and printer channel community kind of went on a protest against purchases. There were largely affected by the predatory pricing by the online channel community, so that was also playing a small impact on our business. We normally do not look at these because we are looking at the whole quarter and the whole year in perspective. But this too played a smaller role in the business being slow. Other than that I do not see any other challenges. It is difficult to predict the exact numbers at this point of time for Q4, but we are definitely expecting a much better quarter in Q4.
- Akash Jain:** How long do you think this credit squeeze would be there for your industry?
- Atul H. Mehta:** Credit squeeze is not an industry problem, it is an economy and country problem, so it is very difficult for me to predict how it will pan out because it will entirely depend upon how the banking and NBFC segment moves forward. There continues to be some challenges. I would say the challenges are little lesser than the October, November, and December period, but there does appear some challenges as we move along.
- Moderator:** Thank you. The next question is from the line of Nilesh Karani from Magnum Equity Broking Limited. Please go ahead.
- Nilesh Karani:** Sir, the thing was like are we looking for any fundraise or something of that sort coming after this?
- Atul H. Mehta:** Yes, we are I do not know whether you had the opportunity to look into the last Board meeting announcement. We had a Board meeting specially for fundraising, which got approved so we are in the process of approving an equity infusion by way of preferential issue of shares of 27 crores for which an EGM has been called which is going to take place on March 1st. So bearing any unforeseen circumstances, we should complete this first round of capital infusion. I am hopeful there is no reason why it should not happen and it should get completed well before the end of the financial year and then as we firm our plans for the next two years, the Board will take decision for the fundraising.
- Nilesh Karani:** So are we doing it from internal accruals or are we going and like for some ventures or some capital raised or what?

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- Atul H. Mehta:** This is not internal accruals, this is fresh infusion of equity in the company so this is going to be fresh funds coming into the company.
- Moderator:** Thank you. The next question is from the line of Avinash Gorakshakar from Joindre Capital Services. Please go ahead.
- Avinash Gorakshakar:** Good Evening, just wanted to know if you could share some details on the working capital cycle during this quarter, how was it, was it better or was it maintained as compared to Quarter-2?
- Atul H. Mehta:** Working capital cycle during the quarter I would say has been more or less similar because we are very conservative in our approach and when we see receivables slowing down, as a company we by and large do not, I would put it the other way when we have outstanding from a particular customer, we do not do fresh transactions of business with that customer. No credibility issue but as a policy we say that overdue need to be zero before doing fresh business, so we continue with our conservative policy and we continue with the same approach whereby we may have in the process lost some business, but we did not want our credit cycles to be affected, so I think there were more or less similar.
- Avinash Gorakshakar:** One more question, I wanted to know what is the total debt on the balance sheet as of December 2018?
- Atul H. Mehta:** I am just trying to recollect because I do not have that figure in front of me, I think the figure should be more or less same as March. I do not think the figure would be too much different. In March, we had a debt I would say total debt of about 400 and December also would be 400 to 425 crores, I do not think it should be very different.
- Moderator:** Thank you. The next question is from the line of Akash Jain from Ajcon Global Services. Please go ahead.
- Akash Jain:** Sir, we are typically very aggressive in signing new brands for reselling, so wanted to understand what is our strategy going forward considering there is liquidity issue and what is the status of CBC, Corporation of Japan which we have tied up recently?
- Atul H. Mehta:** Yes, we will continue to have strategy to sign up new brands because these are the gaps in our product portfolio and we want to continue to work towards filling the gap. Now, of course it is not entirely in our hands when we can sign the brand because we of course know what gaps we have and keep approaching the prospective vendor companies, but they also should have an opportunity where an additional distributor can be brought on and add value, so it is not a very short-term definable process in terms of adding of brands and I do not think that has anything to do with cash flows. The cash flow situation in the market could be a temporary situation. It will possibly also bring net new customers that is dealer customers for us, so I think while there would be some impact of cash flows but not entirely, so we are not going slow on that front. Coming to CBC, of Japan, basically as you know Japanese companies are very conservative and very slow in their approach. We have not only signed the business, we have ordered the goods, we have received the first consignment, and the marketing efforts have started. But it is slow compared to

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some of the other vendors coming from North America where they are fast and aggressive. So this is the approach that the Japanese companies take, which is fine with us so we are definitely on the path to grow that business.

Akash Jain: Secondly, Sir, we were distributing Apple accessories, so what is the status of that business now after Apple going through major restructuring?

Atul H. Mehta: Yes, Apple India has undergone restructuring and we continue to be at forefront of Apple strategy in India. Our accessory business continues on the same lines without any change, without any curtailment of product or territory as far as Compuage is concerned and we have no challenges as we speak.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Atul Mehta for closing comments.

Atul H. Mehta: Thank you friends for being there and raising important questions, in fact these question throw up on lot of new ideas, make us introspect, and help us strengthen our strategies to move forward. Our plans, goals and strategy for year-over-year growth remains intact. Yes, there would be a little plus and minuses, but we are not here for a short-term. We are looking at a long-term strategy and growth which we are very confident and bullish about. Thank you for joining us.

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