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COMPUAGE INFOCOM LTD

25th August, 2021

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, 18th August, 2021
at 11.30 a.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 Wednesday, 18th August, 2021, at 11.30 a.m. IST, to discuss the Operational and Financial performance for Q1 & FY22 and allied matters.

Please take the disclosure above on records.

Thanking you,

Yours faithfully,
For Compuage Infocom Limited,

Anmol Jolly
Company Secretary



Place: Mumbai
Encl.: As above.



“Compuage Infocom Limited Q1 FY2022 Earnings Conference Call”

August 18, 2021



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

Moderator: Ladies and gentlemen, good day and welcome to Compuage Infocom Limited Q1 FY2022 Earnings Conference Call. This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions, and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Atul Mehta, Chairman and Managing Director, Compuage Infocom Limited for his opening remarks. Thank you and over to you Sir!

Atul Mehta: Good morning ladies and gentlemen. Thank you for joining us on Compuage Infocom Limited’s Q1 FY2022 earnings conference call. I hope you and everyone around you are safe and in good health. Along with me today we also have SGA, our investor relations advisors. We have uploaded our press release and results presentation on the stock exchanges and I hope everybody had a chance to go through the same. Let me first start with business highlights.

After witnessing some business recovery towards the end of last financial year, Q1 FY2022 was a challenging quarter for the business as the business operations were once again impacted on account of lockdown restrictions due to the second wave of COVID-19. Government this time around, understandably handled it more cautiously and extended lockdown restrictions until the new cases drop down to a very low level to prevent the spreading of the virus which had an impact on the business. Although the business recovery was slowed down temporarily; however, our efforts towards new business development has led us to sign three new brand partnerships, one of them being signed just two days ago, these include Distribution Agreement with Alcatel-Lucent Enterprise to help them build partners on Voice Data and Cloud Solutions for India and SAARC market. Another with Smart Card Marketing System, which provides cloud services and the most recent one being with EPPS Infotech to provide enterprise resource planning solution by expanding the portfolio to drive growth for channel partners. We are focusing more on higher profitable brands and segments to realign our capital to utilize it in the most efficient way to ensure better capital allocation and all these new brand partnerships are moved towards that direction. These partnerships will enable us to scale up our business in profitable business segments leading to better return on our capital and at the same time, to provide better reach to these brands in terms of customers especially in the Tier-II and Tier-III cities.

Let me now give you an overview of our consolidated Q1 FY2022 results. Total income for Q1 FY2022 stood at 664 Crores as compared to 561 Crores in Q1 FY2021. Gross profit for Q1 FY2022 stood at 31.1 Crores as compared to 29.3 Crores in Q1 FY2021. EBITDA for Q1 FY2022 stood at Rs.17.4 Crores as compared to Rs.13.4 Crores in Q1 FY2021. EBITDA margins for Q1 FY2022 stood at 2.6% as compared to 2.4% in Q1 FY2021. PAT for Q1 FY2022 stood at Rs.1 Crore as compared to Rs.0.2 Crore in Q1 FY2021. We believe IT products in the long-term, are going to witness a strong and sustainable demand from corporates, employees working from home, students learning from home and lastly for personal entertainment and use. All these factors collectively will lead to sustainable demand generation across segments such as laptops, network devices, cyber security software, smart phones, and personal devices in the long run, expanding the overall market size.

Before concluding the speech I would like to say that going ahead, we will continue to focus on adding new brand partnerships, increased penetration into markets by tapping untapped geographies and partners and enhance our value addition to provide value to all our stakeholders. With this, I now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ayush Oberoi from Victor Delta Securities. Please go ahead.

Ayush Oberoi: My first question is that, can you give some insights on new brand partnerships you have signed and the business opportunities from these new partnerships?

Atul Mehta: We signed three brands, one is Alcatel-Lucent which is in Voice Data and Cloud Solutions. They are primarily focused on the large projects and enterprises. They have been doing exceedingly well in all the metro projects that have been implemented in the country. Our goal is to have them expand and move into the enterprise segment, the large and mid-market, and the small enterprise segment and that is where we plan to focus all our energy. In terms of revenue, it is a level too early to talk about, because any new relationships typically takes us about one to two quarters to settle down, understand, get partners aligned and get the business going. Second, being Smart Card Marketing Systems, which is a product aligned with strategy of offering cloud solutions to the market and third one is EPPS, which is on the ERP solution that we offer to the customers. Now all these three brands are aimed at enhancing the bottomline of the Company because all these three brands will offer higher than our normal margins that we are currently operating at. It is difficult to predict the revenue at this point of time. I think we will be in a better position to share that with you once we settle down, in about two quarters' time.

Ayush Oberoi: The other one is that, I wanted to know what is the Company's debt as on June 2021 and what is the cost of debt?

Atul Mehta: The Company's debt is more or less similar to what we had in March, I do not think there has been too much of change in the debt situation which is at about 500 Crores and in terms of cost of debt, it would be in the region of about 11%.

Ayush Oberoi: What was the revenue contribution from each business segment and what would be the margins in each segment?

Atul Mehta: I can share with you the revenue breakup. We have broken up our businesses into four verticals, IT consumer, IT enterprise, cloud and services, which are primarily hardware services that we are into. The approximate breakup for consumer would be 46%, enterprise is at about 43.5%, cloud is at about 10%, and services is at about 0.5% which is more bottomline oriented revenue. Margin is something which is difficult to share, because with the margins within each vertical, the range also changes, so that is something which we find difficult to share at this juncture.

Ayush Oberoi: That was helpful, and last part, our peers in the industries have been doing well so what are the challenges our Company is facing?

Atul Mehta: I think in this industry, one, size matters, which is what I think we are working towards. Second is also the question of product mix, which as you can see, we are already operating in. If I were to combine enterprise and cloud, which is all in enterprise at about 53% of our revenue. Our focus on the laptop and smart phone space is less, primarily because we want to use our existing resources more towards profitable businesses and therefore I think that is the only restricting factor and we do not want to change our stance and want to focus on growing businesses which are going to contribute towards higher bottomline. So this is the strategy that we are working towards and will continue working on the same path.

Ayush Oberoi: Thank you, that was very helpful and that is it from my side.

Moderator: Thank you. The next question is from the line of Rhythm Shah from NM Securities. Please go ahead.

Rhythm Shah: Sir my first question is, are we thinking of creating some kind of marketplace model for the Company?

Atul Mehta: Our entire business is going to be B2B. We are not going to be catering to end customers as such because we do not want to compete with our own set of customers, the resellers who

fulfill the needs of end customers, be it individual customers, be it SOHO, be it SMB, be it enterprise, government institutions, etc. Having said that, we are in the process of creating a marketplace model for cloud offerings but that will be available only to resellers, it will not be available to end customers.

Rhythm Shah: My second question is, are we in talks with more new brands for partnership?

Atul Mehta: Yes, that is an ongoing process which will continue, and as I mentioned in my speech, we are working towards adding brands and penetrating newer and newer geographies and partners.

Rhythm Shah: Do you have any long-term target of revenue and margin in mind?

Atul Mehta: We are not getting into projections especially during these times when things are a little dynamic so we are refraining ourselves from making projections. But yes, growth is paramount and we will be back on growth beginning this year and moving forward that, will be the mantra which we will be working with.

Rhythm Shah: Thank you Sir.

Moderator: Thank you. The next question is from the line of Pradeep Shah from PS Securities. Please go ahead.

Pradeep Shah: Thank you for giving an opportunity. I have a couple of questions. What is the current working capital cycle? Has it improved over last year or how is the trend?

Atul Mehta: We were in the process of improving as we ended Q4. But in Q1, it has deteriorated, primarily because of the lockdown situation and the working cycle when we ended March 2021, that is receivables plus inventory less payables was at 62 days. It has deteriorated to about 85 days. Having said that, we do not see any challenges on that front, it was only because of the prevailing lockdown affecting this cycle.

Pradeep Shah: What would be your target in terms, if you go back to around 60 days?

Atul Mehta: Yes, our goal is to hit 60 days by September, barring any unforeseen circumstances.

Pradeep Shah: Major portion is on inventory days?

- Atul Mehta:** It is a balanced thing, both have gone up, receivables have gone up to 75 days, inventory has gone up to about 45 days. Model has remained intact because we ensure that we honor all our commitments and therefore in payables, there is no deviation.
- Pradeep Shah:** But are you facing any challenges with respect to receivables or any provisions or something like that?
- Atul Mehta:** We are not facing any challenges except delays, but we do not provide for the simple reason that we have a fallback mechanism on insurance. Our entire sales is covered under credit insurance, so in the event of any doubtful debt we can file a claim with the insurance.
- Pradeep Shah:** Historically also, have you not seen any disturbance or something like that?
- Atul Mehta:** No it is quite well managed I would say and it is definitely not a point of concern.
- Pradeep Shah:** Any plan to do equity fund raising in the next one or two years?
- Atul Mehta:** Yes, we have not decided the quantum and the timeline, but that is definitely something that we would like to look at, the timeframe is not decided but it is something that we will explore.
- Pradeep Shah:** What would be our current debt to equity or do you plan to reduce the debt going ahead or how the structure would look like?
- Atul Mehta:** Reducing will be difficult as we grow. The only plan is to ensure that we have a right mix between debt and equity so that we manage the right ratios as we move along.
- Pradeep Shah:** Major portion of your debt would be long-term or short-term?
- Atul Mehta:** Major is short-term because everything is working capital that is where we need all our funds.
- Pradeep Shah:** That is it from my end. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nimis Sheth from G T Advisory. Please go ahead.
- Nimis Sheth:** Congratulations, in a tough quarter numbers are decent I think given that we had lockdown across states and cities and things like that. I have a broad question, when you hear the results and post results concalls of most of the IT services companies, they actually have I

would not say messed up, but they are little behind the curve in building up capacity so if you see the hirings that they have done for the quarter, they are substantially, maybe in one quarter, they have hired as much as they did all of the previous fiscals, which is not really a comparison, but the pointer is that they are starting to build up capacity and like in the old age when the bench would be at 75% and not 90% as it is now, they are just going to have a lot of people sitting idle because the demand side is very strong, my question to you is the following, are you seeing a lot of traction orders from enterprises for the laptops and servers and software or whatever stuff that you supply, is it in line with what IT services are telling us?

Atul Mehta:

Considering the lockdown, I think we are quite satisfied with the numbers., I think we ended the quarter in a reasonably good shape compared to Q1 of FY2021 and I think there were lot of learnings which helped us in this current period because in our case, except for the cloud and software business, warehouses working is very important and with 70% to 80% of the country being under lockdown, warehouses being shut, freight movements being restricted, it was quite a challenge, but hopefully we could make up for some lost ground in June after the re-opening. Now coming to the second one, more specific in terms of the demands, laptop demand continues to be good, primarily for various reasons, one of the reasons of course you mentioned about all these software services companies going in for a recruitment binge and the first thing that they require is a laptop. The backend infrastructure is already in place to support those people and we have not seen a very, very strong demand of the enterprise product in terms of execution but we are seeing inquiries coming up now and that will result in better offtake as we progress in the quarter. So all our plans, while short-term is very important, what we are looking at is, 3 to 5 year horizon where we see a fantastic opportunity as we move along because the demand of overall IT products, be it hardware, be it software, be it cloud, be it services. Now that people have realized that people cannot survive without it and want to be prepared and better equipped, so we will see a strong demand in the next few years.

Nimis Sheth:

Okay, noted, great, thank you so much and all the best.

Moderator:

Thank you. The next question is from the line of Esha Savla from Arya Securities. Please go ahead.

Esha Savla:

Thank you for the opportunity. Sir I have two questions, as services is a high margin business, what plans do you have to scale up the segment?

Atul Mehta:

Let me give a brief update what we do in services and then I will come to these two questions. What we do is, the way we sign up for distribution relationships as a distributor, we are not required to provide any services, once we sell the product, our job is done, then

you know, it is the service arm of the brands that take over. When we see an opportunity, we sign up with these brands, we have a separate vertical within Compuage which provides services, so we are signing up a separate service agreement with these brands and we have already got six, seven, eight brands signed up and the major one being Asus, HP, Vertiv, Emerson, Xerox and a few others and there is one more brand getting signed up in the next few days, so what we do is let us say, I or you, as a customer, have a problem within the warranty period with our product, be it a printer or the laptop, whatever we have signed up for, we call the toll free number and toll free number directs it to Compuage and Compuage goes and fixes the product and gets compensated by the brand. We provide the services by and large only in the warranty period and not post warranty, because spares availability management for 100s of products is a big challenge in itself. Now in terms of whether we see a huge potential, we already have spread ourselves from a few locations, we have 69 service centers across India, more than a few 100 engineers operating and the plans are like a distribution business, to add more brands and open more service centers so that we can provide more services and gain revenue so the focus is on definitely increasing this part of business as well; however, there is a gestation period from the time we sign a brand till it becomes standalone profitable because there is a curve in terms of training and development and getting settled and moving on, which is about two to three quarters. Last year we signed up with HP and it has gone through all this turmoil of on-and-off kind of situation, because going and servicing during the pandemic has been a big challenge but we are focused and will grow this business quite a bit, we will become one of the leading service providers in the country.

Esha Savla: Okay, thank you that was helpful. Sir I have one more question that, what kind of revenue mix among business segments we are targeting in the long term?

Atul Mehta: Little difficult to answer, what I can say is, our focus is more towards profitable businesses which currently we see at where there is more value addition and that comes from enterprise and cloud offering but that does not mean we are going to ignore the consumer businesses. We are in talks with more brands and in the event the margins that we are looking at are met, we will continue to grow as well, so if you ask me for the current financial year, the mix is going to be almost similar, we will be able to make a more predictable estimate once we end the year so that we will have clarity on margins and thereby the product mix that we will be targeting.

Esha Savla: Okay Sir, thank you.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to Mr. Atul Mehta for closing comments.



COMPUAGE INFOCOM LTD

Compuage Infocom Limited
August 18, 2021

Atul Mehta: Thank you everyone for joining the call. I hope I have been able to answer most of your queries. In case of any queries that may not have been answered or that you may come up with, you may contact SGA, our investor relations partners. Thank you so much.

Moderator: Thank you very much. On behalf of Compuage Infocom Limited, that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.