

Speed
Reliability
Value Performance

COMPUAGE INFOCOM LTD

18th February 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: INE070C01029

Symbol: COMPINFO

Sub: Transcript of Analyst Call held on Tuesday, 14th February 2017 at 2.00 p.m.

Dear Sir/Ma'am,

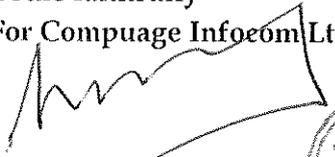
Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we enclose herewith the transcript of the tele-conference call with the analysts held on 14th February 2017, to discuss the financial performance for the quarter ended 31st December 2016.

Please take the disclosure above on records.

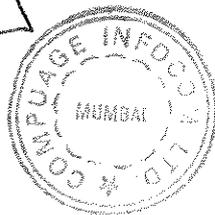
Thanking you,

Yours faithfully

For Compuage Infocom Ltd.,

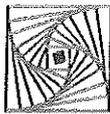


Sunil Mehta
Chief Financial Officer



Place: Mumbai

Encl: As above.



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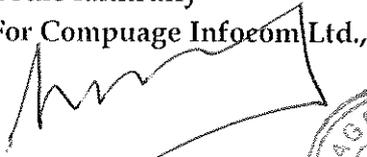
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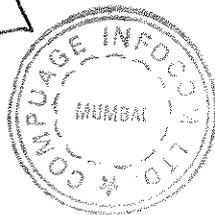
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For Compuage Infocom Ltd.,



Sunil Mehta
Chief Financial Officer



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“Compuage Infocom Limited Q3 FY17 Earnings Conference Call”

February 14, 2017



ANALYST: MR. SONAL KUMAR SRIVASTAVA - KIRIN ADVISORS PRIVATE LIMITED

MANAGEMENT: MR. ATUL MEHTA – CHAIRMAN & MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - COMPUAGE INFOCOM LIMITED



Moderator: Ladies and gentlemen, good day and welcome to the Compuage Infocom Limited Q3 FY2017 Earnings Conference Call, hosted by Kirin Advisors Private 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 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 Srivastava from Kirin Advisors. Thank you and over to you Sir!

Sonal K Srivastava: Hello everybody. This is Sonal Srivastava this side from Kirin Advisors. I welcome you all to the conference call of Compuage Infocom Limited. This call is being held for the Q3 and nine months ending December 2016 results analysis. We have with us today, Mr. Atul Mehta, CMD & CEO of Compuage Infocom. He will briefly take up through the details of the results, the discussions on the numbers that have passed in during the quarter, how the quarter has been with regard to the demonetisation and all, and how those numbers have affected the company, and subsequently we will open the call for the question and answer session. Over to you Mr. Mehta.

Atul Mehta: Thank you Sonal. Very good afternoon friends. I am happy to share with you, my observations on the same herewith. The quarter has been a mixed bag while the sales have grown by almost about 21%-22%, the gross margins have taken a slight hit and this has been primarily due to the demonetisation, which has happened because of which we had slower recovery in our debts as well as inventories also kind of got increased, so both these factors have resulted in a higher finance cost resulting in a lower net margin. Apart from this, I would like to share two other positive developments for the company, one is the company has signed up with three new vendors for distribution of products in India, one is Samsung surveillance product, second is Extreme Networks and third is Xerox range of printers and consumables. So with the addition of these three new products it will help the company grow further in the next financial year. Typically it takes about three to six months for the company to settle down in a new brand and therefore the real benefit of these brands will come into next financial year. Second factor is the upgrade of the company's rating, its long-term rating got upgraded from BBB+ to A- and short-term rating got upgraded from A2 to A2+, so this will result in by enhancing its rating it will get lower cost of interest, which will help in reducing the finance cost and thereby enhance the profitability. Other than that we are working to bring on board some more new brands, which is an ongoing process in the organization because now we are at about 30 brands and the plan is to add another 10 to 15 brands over the next two years, for which efforts are on. It is a fairly long process, sometimes it works out in about six months' time, sometimes it takes over a year to get a new brand on board. We continued to strengthen our dealer sales network, which is Pan India. We are catering now to more than 10,000 resellers in about 700 cities and towns. I think that is all from my side. I would rather now throw it open to specific questions that all of you may have. Thank you.



- Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Akash Jain from Ajcon Global Services. Please go ahead.
- Akash Jain:** Good afternoon Sir! Congratulations on good set of numbers despite demonetisation. I just wanted to understand when is this effect of demonetisation to recede away from the next quarter onwards or from FY18 onwards?
- Atul Mehta:** Thank you Akash. As far as the Compuage is concerned I think we are seeing less effect of demonetisation this quarter, I do not want to make too many forward looking statements, but hopefully this quarter should be on track.
- Akash Jain:** Do you expect the finance cost would reduce going forward because this has reduced the profitability to a great extent?
- Atul Mehta:** Yes, we hope that the demonetisation effect does not affect that as it did affect in the last quarter.
- Akash Jain:** I just wanted to understand why the other expenses have gone up by 25%, what was the nature of the other expenses?
- Atul Mehta:** I will not be able to mention at this point of time. I cannot recollect what is the reason, why the other expenses have gone up in the preceding quarter, I will have to look into it, maybe I can share that with you one-on-one basis.
- Akash Jain:** Thank you.
- Moderator:** Thank you. Next we have a followup question from the line of Akash Jain from Ajcon Global Services.
- Akash Jain:** Sir my question is regarding the tie-ups that is Extreme Networks, Samsung and Xerox, so typically what are the margins we get in this kind of distribution tie-up?
- Atul Mehta:** The margins for all the product range are pretty constant, they would range from about 3%-6% depending upon the nature of the product line, for these products also the margins would be in the region of 3%-6%.
- Akash Jain:** Is there any difference say for example Xerox machine, for example mobile phone, so how typically what determines the margin?
- Atul Mehta:** What happens is where we are supposed to give technical support to the channel we provide presale support, that kind of support is required to be provide there we operate at higher margins of 5%-6%



where it is your box moving products sold as commodity there we operate at the lower end of the spectrum.

Akash Jain: To the lower end of the spectrum would account for what percentage of a topline like box moving commodity product?

Atul Mehta: I would say major portion is the box moving commodity that we sell, it is only the specialized products like networking products or surveillance products or software, networking software where we have to provide resale support where we can expect to get some better margin.

Akash Jain: This three distribution tie ups are likely to account for what percentage of revenues?

Atul Mehta: I will say these three product lines put together should be able to account for in terms of next year's revenue about less than 5%.

Akash Jain: Less than 5%. Okay. Thank you Sir!

Moderator: Thank you. We have the next question from the line of Nilesh Karani from Magnum Equity. Please go ahead.

Nilesh Karani: Hello. Am I audible?

Atul Mehta: Yes Nilesh, you can go on.

Nilesh Karani: Sir just to understand now probably our hardware market is growing at a particular pace, but for us we are seeing some decline in that pace, can you through some light?

Atul Mehta: In what way are you saying we are seeing some decline? I am just trying to understand because we have grown the business by about 21% year-over-year, so I am unable to..

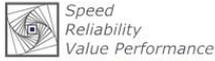
Nilesh Karani: No, I am talking about the sales saw a decline of 10% standing to 10.62 million units that is what I am trying to understand here it is in this presentation. That is overall I think India market or..

Atul Mehta: Yes, you are referring to the Kirin Advisors presentation. Now see basically that is only referring to standalone PCs where in the last couple of years there has been some decline, but that is only as far as the PCs are concerned, but the entire gamut of products that goes along with it, the printers, supplies, networking product, software, has been growing and we expect with the low penetration that the country has we expect the PC also to come back on the growth path from the next financial year.

Nilesh Karani: One more question, can you just highlight when we are expecting US one billion sales by 2020 FY2019-20 I mean to say?



- Atul Mehta:** Right.
- Nilesh Karani:** What would be the main or the core what you are looking at, core sales or core product what will be that thing exponentially, which would be the takeoff point there and what type of takeoff there we will see to achieve this type of target?
- Atul Mehta:** If I look at my peers in the industry, before starting this financial year we only had 20 to 22 brands with us, now we have closer to about 30 to 32 brands, so we still have lot of gaps in our portfolio, so one is we will be bridging the gaps in our portfolio. We are trying to fill the gaps as I mentioned in my opening statement, we are going to be working towards bringing more and more vendors on board, so that is one part of it. Second part is today if you look at our entire mix, 85% of our products comes out of IT, only 15% comes out of mobility, whereas mobility is the big driver, so we are going to work towards enhancing our mobility portfolio and try and take it to a level of maybe about 30%, so both these factors put together will help us work towards one billion by 2019-20.
- Nilesh Karani:** Sir if you see current outlook for exactly this year probably post demonetisation not I am talking about this March, but the next financial year that is 2017-18, so how do you look at that now and what type of growth we are trying to achieve?
- Atul Mehta:** Basically we are fairly bullish about the next financial year and of course we are still working on the targets for the next year, but bare minimum I am sure we are going to be growing at 20% both in topline and bottomline that is what we would like to work towards and we will of course have a clarity once the plans are put in place.
- Nilesh Karani:** Only last question if the time permits, can I?
- Atul Mehta:** Please.
- Nilesh Karani:** The three new vendors what we are talking about Extreme Networks, can you just elaborate more what is that product about or?
- Atul Mehta:** Extreme Networks is networking product. It helps in connecting all the networks that we use in office.
- Nilesh Karani:** Like LAN or some this modules?
- Atul Mehta:** Yes, it is on something similar lines. Samsung Surveillance is basically what we see surveillance cameras and all those kind of equipment and Xerox is basically they are into A3 size printers and consumables for the A3 size printers.
- Nilesh Karani:** Just to understand any peer competitor in this Extreme Networks and your Samsung Security Systems, all those were existing right now and all the players like?



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- Atul Mehta:** Extreme has another distributor, Samsung they do not have any distributor, our arrangement is exclusive for one year.
- Nilesh Karani:** That is Pan India or only?
- Atul Mehta:** All three are Pan India and Xerox also there is a co-distributor
- Nilesh Karani:** This segment probably these three new additions and I think more you want to add, correct, so three additions will give us a sufficient topline like?
- Atul Mehta:** Not sufficient to get up to one billion, but yes it will contribute in its own way, it is one of the contribution by all the product lines that we have on our board.
- Nilesh Karani:** Thank you Sir! Thank you very much.
- Moderator:** Thank you. Next we have a followup question from the line of Akash Jain from Ajcon Global Services. Please go ahead.
- Akash Jain:** Sir, you have mentioned this Kirin Advisors presentation that we are targeting sales of US dollar one billion by FY2019-20, so what are the challenges we are likely to face to achieve this target?
- Atul Mehta:** I think the first and foremost challenge or the only challenge that we will face is getting the brands on board. Today when a brand is already in distribution, they have to see either somebody not performing to the satisfaction or trying to convince them to be able to give them value adds, which they are looking at. So, I would say that is possibly the biggest and the only challenge we feel we are facing and once the brands are on board then I do not think it should be a challenge to achieve those kind of numbers.
- Akash Jain:** Who are competitors for leading brands?
- Atul Mehta:** Till today there are about 10 of us in the distribution state, approximately 10 companies all the brands are distributed, so they would be our competitors.
- Akash Jain:** Thank you Sir! That is all from my side.
- Moderator:** Thank you. Next question is from the line of Taral Shah from Kitara Capital. Please go ahead.
- Taral Shah:** Good afternoon Sir!
- Atul Mehta:** Very good afternoon Taral.



- Taral Shah:** Sir what are the debt levels currently short-term and long-term?
- Atul Mehta:** Long-term we have a debt of 25 Crores and short-term we would have a debt of approximately 250 Crores.
- Taral Shah:** Fine, that is it. Thank you.
- Moderator:** Thank you. Next we have a followup question from the line of Akash Jain from Ajcon Global Services.
- Akash Jain:** Sir my question is regarding B, C and D Indian cities. We have mentioned in the slides that we generate around 40% of topline from the cities, so how are we differentiating the cities, in terms of population, in terms of rural spending, what is the classification that we are making in the cities.
- Atul Mehta:** Basically this is our own definition. Basically I would say the top nine cities, which we classify as A or A- cities that are the four metros and along with that we would classify Bengaluru, Hyderabad, Ahmedabad, Pune and Cochin. These are the nine cities that we would knock off and then say rest all cities are B, C and D classification.
- Akash Jain:** I wanted to understand we are selling to Flipkart, Amazon as well?
- Atul Mehta:** Yes, we are.
- Akash Jain:** What is that percentage?
- Atul Mehta:** We are selling to Flipkart by the name of WS Retail and Amazon does not have a company of their own, so we are selling to their market place dealers the way we are selling to the Flipkart market place dealers as well.
- Akash Jain:** These two players accounting what percentage of a topline, market place dealers and WS Retail for Flipkart?
- Atul Mehta:** The market place is difficult to quantify because we do not know anybody could be a market place player from our list of dealers, so that is very difficult to quantify, but WS Retail revenue in our case may not be more than 2% of our revenue.
- Akash Jain:** Is there any margin benefit if you are selling it to Flipkart or it is better to sale to different dealers?
- Atul Mehta:** There is no margin benefit by selling to Flipkart. On the contrary sometimes because of the volume demand they would want us to give them better discounts and therefore the margins would be under pressure.



- Akash Jain:** Sir, Flipkart does not absorb those discounts, we have to absorb those discounts?
- Atul Mehta:** No, the discounts that you see when they come out with hefty discount are absorbed by them. What I mean is let us say on a particular product category we are making 4% by selling to the market and if Flipkart ask us because they want to buy at a single time larger quantity they will push us and whereby we may give 0.5% extra discount that is what I mean by discount, so we do not absorb the discount that they normally pass on that is absorbed by them only.
- Akash Jain:** Going forward, are we looking to increase our share in that segment or we are comfortable at this level?
- Atul Mehta:** We are comfortable at this level. We are not saying that we want to work at this percentage whatever business makes good sense for us we will go for it. If it is not profitable we will not pursue that business, so we are not saying that we want to do this much percentage should come out of this business, it has to make good commercial sense for the company.
- Akash Jain:** In the previous con calls you had mentioned that we have signed up distribution agreement with LYF smart phone, so what is the status of that product?
- Atul Mehta:** That business has been doing okay. I would say we have high expectations which have not been met, but we have exclusive arrangement for the territory of Kerala and I think one of the reasons why possibly that numbers are not higher, the services have been postponed, so we are waiting for the services to get started whereby I am sure they will do bundling and various other things whereby the sales may increase, but it is not bad, but it is not as good or we have high expectation, so it is not meeting our high expectation.
- Akash Jain:** Thank you Sir! All the best for the coming quarters.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference back to Mr. Sonal Srivastava for any closing comments.
- Sonal Srivastava:** I would like to thank everybody for attending the conference call. If there are any queries you can please reach us or if you want to have a meeting with Mr. Mehta to understand more about the business we will be more than happy. Thank you very much. Good day.
- Moderator:** Thank you very much. On behalf of Kirin Advisors that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.