

Speed
Reliability
Value Performance

COMPUAGE INFOCOM LTD

21st August 2018

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 Thursday, 16th August 2018 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 Thursday, 16th August 2018 at 4.00 p.m. IST, to discuss the financial performance for the quarter ended 30th June 2018 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
Q1 FY2019 Results Conference Call”**

August 16, 2018

ANALYST: MR. SUNIL MUDGAL - KIRIN ADVISORS PRIVATE LIMITED

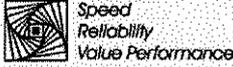
**MANAGEMENT: MR. ATUL MEHTA – CHAIRMAN & MANAGING DIRECTOR -
COMPUAGE INFOCOM LIMITED**

- Moderator:** Ladies and gentlemen, good day and welcome to the Compuage Infocom Limited Q1 FY2019 Earnings 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 an operator by pressing "*" then "0" on your touchtone phone. Please also note that this call is being recorded. I would now like to hand the conference over to Mr. Sunil Mudgal. Thank you and over to you Sir!
- Sunil Mudgal:** Welcome to the conference call of Compuage Infocom Limited. Here we are discussing about the Q1 results. With us today, Mr. Atul Sir, he is the CMD at Compuage Infocom. Welcome to you Sir. Now you can start your brief about the company for this quarter and whatever you want to discuss and then will start for the Q&A. Over to you Sir!
- Atul Mehta:** Thank you Sunil. Good afternoon friends. This is Atul Mehta from Compuage Infocom Limited. I am delighted to share with you the Q1 FY2019 numbers. It has been a good quarter with the company registering sales of Rs.873.5 Crores as against sales of Rs.752.6 Crores in the corresponding period of the previous year. The company has registered a growth of 16.1%.
- EBITDA too has increased by 27.8% to Rs.21.3 Crores as against Rs.16.6 Crores reported for the same period in the previous year. EBITDA margins were a little better at 2.4% during the quarter as compared to 2.2% reported in the previous year of the same quarter.
- Net profit for the year has also gone up by 30.6% to Rs.5.02 Crores for the same first quarter ending June 30, 2018 as against Rs.3.84 Crores reported in the period of the previous year. The EPS is of 0.85 per share for the first quarter as against an EPS of Rs.0.65 per share reported in the previous year of the same period.
- So overall the performance has been very satisfactory, more or less in line with our plan and we hope to continue the same in the year forward. I think that is all from my side. I will open the call for any questions that anyone may have on this or any other related matter. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen we will start the question and answer session. First question is from Rajesh Gupta of SBICap Securities. Please go ahead.
- Rajesh Gupta:** Thank you and good evening to all. Just wanted to ask you regarding this Q1 FY2019 result, you have seen a spike in the interest rate, our interest amount rather for the current quarter, is there any increase in the debt amount, if yes then what is the debt level at present that you are getting on your book?
- Atul Mehta:** To the best of my knowledge there is not much significant change in the debt position, it is more or less the same. Yes, the finance cost has gone up primarily because what has happened is in the business, we have three verticals within our business, one is IT consumers, second is the IT enterprise and third is the Mobility. IT enterprise business has been growing at a faster rate and which requires more working capital cycle, so because of that the longer cycle the finance cost has gone up.

- Rajesh Gupta:** As per your FY2018 full year number you had closed to Rs.400 Crores odd of debt, so what is the roadmap to bring it down later on or etc., if you can give some guidance on that?
- Atul Mehta:** While I am being very frank that it is not going to be possible to bring it down, having said that, because we are growing at a fairly good pace, a growth of 16% is possibly more than the industry growth rate. The debt will go up, but it will not go up proportionate to the growth of the business, so we will try and balance our product portfolio in such a manner that the working capital cycles are kind of controlled.
- Rajesh Gupta:** Sir in your overall business operation I can see a significant amount of expenditure in the form of forex that is in the foreign currency, so with rupee going down, how you see the effect on the overall your let us say how it is going to impact your overall expenditure and all?
- Atul Mehta:** I would say major purchases that we have still continue to be in India rupee. Our forex business is not all that big. However, to ensure that we mitigate the risk we are covering our imports 100%. So there are absolutely no risk associated with that.
- Rajesh Gupta:** Okay, any guidance for the current year, what kind of topline or let us say the bottomline that you are looking?
- Atul Mehta:** We would not like to get into giving futuristic numbers, but you can take Q1 as a benchmark moving forward.
- Rajesh Gupta:** With the similar profile at 2.5% because we see a fair amount of recovery in the margin in the last couple of quarters?
- Atul Mehta:** Our endeavour is going to be work on the same or better. But we definitely are going to try and improve as much as we can. But we just do not want to give any guidance as far as the numbers are concerned.
- Rajesh Gupta:** One last question from my side, where you see the scalability in the margin to come in, in all these three verticals that you mentioned, IT consumer or enterprise or mobility, which areas that you were seeing that can really give you a lot of push to your margin?
- Atul Mehta:** While all the three businesses will have to complement each other, let me start with mobility where the cycles are the shortest, then comes the IT consumer where the cycles are longer than the Mobility and then comes the IT enterprise where the cycles are the longest, so it would not be right to compare the margins in that manner because cost also differ for each of the three businesses. But what we are trying to do is improve upon the margins as the revenue grows we get some benefit of economies of scale, having grown by about 16%, our fixed operating expenses do not grow in the same proportion that is one thing. Second thing what we are going to try and do is as I mentioned by not trying to grow debt as much by trying to work on the cycles more efficiently, which will help us optimize the finance cost, which will also contribute to higher margins, so I think it is going to be a combination of all factors put together that will help us grow the margins in the business.
- Rajesh Gupta:** Thank you Sir.

- Moderator:** Thank you. The next question is from Arpit Bhatt of HDFC Securities. Please go ahead.
- Arpit Bhatt:** Good evening. Congratulations on good set of numbers for this quarter as well. Sir there are a couple of questions. The first being with respect to the margins as you have mentioned that there has been an expansion in the margins, so is this expansion sustainable for the coming quarters as well?
- Atul Mehta:** As I mentioned we do not want to make forward-looking statement, but yes we are going to be definitely working towards ensuring that the margins are maintained or improved as we move along.
- Arpit Bhatt:** Sequentially the previous quarters margins are kind of impacted due to the constraints put on the operations by the banks in terms of lesser credit availability, but in the current quarter the expansion has been such that it is almost at all time high level in terms of margin, so is there a structural change in the kind of products that we are offering like we had mentioned that we are offering some products from Apple's product portfolio, so has there been some shift over there, are we getting new products from there?
- Atul Mehta:** Very frankly in the last quarter, there has not been too much shift in the product portfolio; I think more or less the product portfolio remains the same. It is just that we are trying to optimise margins out of every product line that we are working towards and improving on the bottomline, so structurally there has been no major changes in the business if I were to compare year-over-year or quarter-over-quarter sequentially.
- Arpit Bhatt:** Okay Sir, I think that would be it at present. Thank you.
- Moderator:** Thank you very much. The next question is from Nilesh Karani of Magnum Equity Broking Limited. Please go ahead.
- Nilesh Karani:** Good evening. Sir just to understand like if you see generally our March quarters are better and the subsequent June quarters are always little bit on the revenue side they are lower correct?
- Atul Mehta:** Sorry come again please?
- Nilesh Karani:** The March quarters the revenue are higher, every March quarter our revenues are higher?
- Atul Mehta:** Right.
- Nilesh Karani:** And every June quarter our revenues are little bit marginally lower or correct?
- Atul Mehta:** Right.
- Nilesh Karani:** If you see profitability and all is always good in June quarter rather than a March quarter actually, so can you just give me what the significant change and why always this dip in the June quarter and why the margins are better in June quarter in fact?

- Atul Mehta:** What happened in JFM quarter, there was lot of pressure on margins and therefore margins had taken a beating and they went below the unusual level that was not the normal levels at which we operate in and that was an industry phenomenon, it was not only applicable to us that is as far as margins is concerned, so we are more or less back to where we should be in terms of margins are concerned. In terms of revenue, if we are looking at the industry I would say two quarters, which are the peak quarters, one is the July, August, and September and second is the January, February and March. When I say peak is there are not big spikes, but we can say the spike are – they are marginally better than the April, May, June quarter and the October, November, December quarter, so that is the reason why January, February, March quarter is year-over-year always the best quarter as far as business is concerned.
- Nilesh Karani:** Sir overall what is our best segment now and going forward how you see all the segments performing like, the overall I am talking about all the segments, verticals, all the security segments as well as our OEMs whatever?
- Atul Mehta:** I would break it up into three segments as I mentioned earlier in the call IT consumer where we have products like laptops then we have PC components like optical drives, flash drives, TFT monitors and those kinds of products. Enterprise, we have networking, software, data security, physical security and safety surveillance products and then mobility, of course, we have the smartphones and tablets, so in terms of growth, I would say the growth is going to come primarily from the enterprise and the mobility segment. The consumer is going to grow, but it is going to grow marginally because for some reasons we are not seeing that kind of rapid growth in the PC sale, which is very, very surprising because India's PC penetration still continues to be very, very low and that is very, very surprising to me as to why we are not seeing that growth. So from vertical point of view I would say it is the enterprise and the mobility, which will contribute to more growth as far as Compuage is concerned.
- Nilesh Karani:** Thank you so much Sir.
- Moderator:** Thank you very much. We have a follow up question from Nilesh. Please go ahead.
- Nilesh Karani:** Sorry Sir, just wanted to ask about any risk if you see arising from our just in a near-term or longer term, just I wanted to understand if at all you see some risk involved in our business somewhere?
- Atul Mehta:** Very frankly it is a business, which is very well structured and reasonably on auto mode. We have our vendors with, whom we are working for a long period of time with the exception of the additions that we keep doing. We have our customers that are reseller, system integrators online and offline retail partners with whom we work for a long period of time. So the business is fairly stable from that point of view. I do not see any major risk and I would say on the contrary, we are very well placed as a country with low penetration levels in both IT and smartphones, so growth will continue. The economy is growing well, people will have money to spend. Yes, as somebody mentioned about the FX. we have a small portion of a business where we have direct imports happening at our end, but we are very well insulated by ensuring that 100% of our imports are covered, so by and large there are no major risk and if I were to go back a little, if we look at our 10-year history Compuage had a 10-year CAGR in terms of revenue of close to about 21%, EBITDA at 20% and PAT at 17%. So 10-year is a good period to really look back upon basis, which we can extrapolate moving forward.

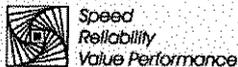


COMPUAGE INFOCOM LTD

Compuage Infocom Limited
August 16, 2018

- Nilesh Karani:** So Sir my question was little bit informative like - this is the part of it, but see there is a disruption in a PC market for example, if there is some new thing coming in, so how we would be benefited or how would be we will be the first player to go inside that market and tap, that is what I wanted to understand actually, is there any risk in that part?
- Atul Mehta:** Yes, see this is a technology industry, so we are into distribution of technology products. Definitely we have to be associated with the best of companies and that is one thing we are doing, we are ensuring that in every business we are working with either the number one, number two or number three players, so we are insulating the company by ensuring we are working with a best of brands in the world and only if all those brands fail, we would run into a problem, which is very unlikely that all major brands running into problem at the same time. So yes we have to align with the best of brands, best of technologies to ensure that we keep moving ahead in the right manner.
- Nilesh Karani:** Okay Sir. Thank you very much.
- Moderator:** Thank you very much. The next question is a follow up from Arpit. Please go ahead.
- Arpit Bhatt:** Sir, have we done any more brand acquisitions during the three months or so? We have this, 32 brands as of March?
- Atul Mehta:** Right, we have added couple of brands in the last quarter, the business, the brands that we have added in the last quarter are, we have made those announcements on the stock exchanges as well, and just trying to recollect which are those two brands that we added in the last quarter.
- Arpit Bhatt:** CBC, Corporation of Japan?
- Atul Mehta:** Yes, one is CBC Corporation of Japan and there is one more brand that we announced, CBC Corporation business is going to start after a quarter and there is one more announcements that we did I cannot recollect off hand and there is one which is under finalization stage, which will happen by the end of this month. It is a little premature and therefore I cannot announce it, so that process is always on, we are constantly talking to brands, which are not there in our portfolio that we would like to bring into our portfolio. It is difficult to say which brands and how many brands we will sign in the year, but I am very confident that the plan is to add about anywhere between three and six brands every year in our portfolio.
- Arpit Bhatt:** Okay, so three you have mentioned that you are expecting in the end of September if I am not wrong, two is already that you have already announced in one coming in?
- Atul Mehta:** Yes and I am saying three to six in the span of 12-month period is what we are looking at adding this year and every year from here on for at least next couple of years.
- Arpit Bhatt:** Okay and the number of re-distributors that we had around 12000?
- Atul Mehta:** The plan is - we are currently selling to about 12000 resellers in 1000 cities and towns, by 2021 the plan is to take it to 1200 cities and 15000 re-sellers.

- Arpit Bhatt:** By 2021?
- Atul Mehta:** Yes.
- Arpit Bhatt:** Okay, so the aspirational target of around Rs.7000 Crores of revenue by FY2020 we might have to push that by another the year itself, if I am not wrong?
- Atul Mehta:** Yes, that is an aspirational number; we definitely will have to push it by year or so.
- Arpit Bhatt:** Okay, so accordingly the FY2019 target will also shift correct?
- Atul Mehta:** Yes.
- Arpit Bhatt:** Okay and just a last question is from Apple we had some accessories that we were distributing, so has there been any update or any attempt to get into the distributorship right for Apple iPhone?
- Atul Mehta:** Yes, you are right, we are distributing Apple accessories. Initially when we started distribution in last May, June, we were given only territories of north and eastern part of India and then towards the end of 2017 calendar year and beginning of 2018 calendar year we were opened up for the entire country. So they have kind of expanded the scope of our business is one thing. Second to answer your question, our endeavour is always to expand the relationship with Apple, but as you must have been reading a lot of articles, which have been coming in the newspapers, Apple has been going through a major restructuring of its distribution policies in India and you may have read the papers as well as HCL made an announcement in the stock exchanges that they will be exiting the Apple distribution business and so is the case with one other company. So at this point of time, they are not going to be adding a distributor or they are not going to be adding the scope of our relationship from accessories to include smartphones and may be PC, we will have to wait for a while for whatever structural changes they are doing will have to settle down before we can once again approach them to enhance the scope of our relationship.
- Arpit Bhatt:** Okay, so this exit that has happened from the distributor, is this the step taken by them, was initiated by them or by Apple itself?
- Atul Mehta:** Very frankly, there is no confirmed news of that kind and I do not want to go on here say that what exactly transpired and what exactly happened, but the fact remains that this is what has happened.
- Arpit Bhatt:** Logically going why would a distributor want to end distributorship of pride, just a matter of question, just to understand the business better?
- Atul Mehta:** Logically what you are saying is very true, why would I want to exit an aspirational brand like Apple, so your thought is as good as mine, since there are no definite news available I would not like to jump to conclusion and make a statement, which would be wrong on my part.
- Arpit Bhatt:** Yes, but then we can expect that with two distributors going out, out of five, there may be a times may be when they are done away with their structural shifts or whatever policies that they want to frame, may be



COMPUAGE INFOCOM LTD

Compuage Infocom Limited
August 16, 2018

there can be a chance of a person who is already associated with them, get their smartphones business as well, is it true?

Atul Mehta:

Definitely, we are not giving up on that. We are definitely going to be aiming for that. It would be our desire to get into the smartphone business. All I am saying is at this point of time, I do not think it would be the right time to discuss with them when they are going through a major change of distribution structure and we are in constant touch with them, we get into quarterly business reviews and during the business reviews, we talk about their future plans, our future plans. Apple is of course a very, very close door kind of a company, so we do not get to know what and how they would like to move ahead in future, but we are very comfortable with a relationship and it is going quite smooth is all I can say.

Arpit Bhatt:

Thank you so much.

Moderator:

Thank you very much. Sir there are no further questions, Chairman any closing comments?

Atul Mehta:

No, nothing from my side, I shared what I wanted to, in my opening comments of the Q1 being good and we of course will work towards ensuring that the year moves along the similar lines. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen on behalf of Kirin Advisors that concludes this conference call. Thank you for joining us. You may now disconnect your lines.