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COMPUAGE INFOCOM LTD

11th November 2016

To,

The Corporate Services Dept.
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.

Security Code: 532456
ISIN: INE070C01029

National Stock Exchange of India Ltd.,
Exchange Plaza,
C-1, Block G, Bandra Kurla Complex,
Bandra (E),
Mumbai - 400 051.

Symbol: COMPINFO

Sub: Transcript of Analyst Call held on Tuesday, 8th November 2016 at 11:00 a.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 Tuesday, 8th November 2016 at 11:00 a.m., to discuss the financial performance for the quarter ended 30th September 2016.

Please take the above disclosure on records.

Thanking you,

Yours faithfully
For Compuage Infocom Ltd.,

Dshah

Disha Shah
Company Secretary

COMPUAGE INFOCOM LTD * MUMBAI

Place: Mumbai

Encl: As above.

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“Compuage Infocom Limited
Q2 FY2017 Earnings Conference Call”

November 08, 2016

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

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

Moderator: Good morning ladies and gentlemen, welcome to Compuage Infocom Limited Q2 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 the operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sonal Kumar Srivastava from Kirin Advisors Private Limited. Thank you and over to you Sir!

Sonal K Srivastava: Good morning everybody. Thank you all for joining us for Q2 FY2017 Results of Compuage Infocom Limited. We have with us, Mr. Atul Mehta, who is the MD & CEO of the Company. He will be taking us through a brief introduction about the company followed by some highlights on the results and then we can open the floor for Q&A. I will hand it over now to Mr. Atul Mehta. Over to you Sir!

Atul Mehta: Good morning friends. Welcome to this Q2 analyst call. Let me give you a brief update of Compuage for those who are joining for the first time.

Compuage is a leading technology products distribution company in India by technology products primarily, we carry the IT and mobility products. We are headquartered in Bombay with sales offices, service centers and warehouses in more than 40, 45 locations across India. We cater to more than 25 brands, which is now getting closer to 30 and progressing the needs of more than 10000 retailers across India. In a nutshell more if any specific details are required you can please ask me and I will be glad to answer that.

Coming to the H1 results, I am very happy to announce that the company has closed its revenue at about 1627 Crores registering a growth of 18% and profit after tax of 10.2 Crores as against I registering a growth of 34.2% in terms of year-over-year.

Now apart from that I would like to also mention that in the second quarter of the financial year the company has six new signups happening that is six new relationships have been entered into with vendors for distribution of products in India to name the six brands are Sandisk (Flash and SSD Products), Linksys Networking products, LG Signages, Emerson UPS, Lenovo Consumer PCs for MP and finally Molex Passive Networking Products. These are the new signups, which will definitely result in better performance of the company in the next two quarters more specifically from next financial year. For the simple reason it takes the company about three to six months to settle down in any new business that it enters into.

With that I will through open the call for queries or discussions that you may have in mind.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Akash Jain from Ajcon Global Services. Please go ahead.

Akash Jain: Congratulations Sir on a good set of numbers. My question is on book keeping what would be the inventory cycle and the debtor's cycle for the next two years likely?

Atul Mehta: We will try and maintain the same level that we have currently as I mentioned we are into distribution of IT and mobility products but I service in the IT space as much longer the mobility space as much shorter compare it to the IT product line. So our current breakup of products between IT and mobility is approximately 85% and 15%. We will try and ensure while for the mobility sector is expected to grow faster, but at the same time the working capital turnaround time for the IT is growing simultaneously. So we will ensure that we maintain at this level.

Akash Jain: Thank you.

Moderator: Thank you. We will take the next question from the line of Samrath Sanghavi from Phillip Capital. Please go ahead.

Samrath Sanghavi: Good morning Sir and congratulations for a good set of numbers. Sir just wanted to actually ask is that these you mentioned six new names today on the call, one is sir if you could please repeat them and the other research would typically which vertical of IT products to these products fall into and can we get a market size of these verticals where how is this market growing or the kind of products that you are supplying Sir?

Atul Mehta: I will repeat the brands once again. One is Sandisk which is more into (Flash and SSD Products) I am sure we are as users use to buying the Sandisk memory cards for a work it does well, second is Linksys Networking products that is basically going into the home and the SO core segment, third is LG Signages, Signages were what we see at airports and such other display locations, fourth is Emerson brand of UPS, fifth is Lenovo brand of Consumer PC's for the state of Madhya Pradesh and on an exclusive basis and sixth is Molex Passive Networking Products these are the products which going into creating networks for our offices and homes cables, patch panels, patch cords etc., etc. So these are the six brands that we are signed up with all these brands will be exception of Lenovo, our pan India Lenovo as I mentioned is the given to us on a territorial restriction basis which is very normal in both the IT and the mobility segments. Now in terms of the market size it is extremely difficult to quantify because all these product lines fall in the IT space and some falls in the space of PC, some in Networking and some in components and some in territorial. So each has a different market sizing which would be difficult to quantify it is a very elaborate exercise not that we are not aware, but becomes difficult to really quantify because there are lot more parameters that go into it, but in terms of the benefit for the company I think in the next financial year we should look at benefit of maybe anywhere between it is too early to comment because once we get into it we will while we are aware as to what we are working towards, but after a quarter or two we will really gage as to what is the revenue that we will generate and typically we build all these into our plans of the next financial year, but I think it can very, very crudely if I were to quantify which is not the right thing but I can take the liberty of doing that on this call, we still at these product lines should be able to give us a revenue of about 300 to 500 Crores in the next financial year. It is basically as I said takes a quarter or two for us to settle down into these new product lines.

Samrath Sanghavi: Sir these six companies, which would give you revenue of 10% of your topline, is that correct?

Atul Mehta: Approximately yes.

Samrath Sanghavi: Again Sir with respect to you mentioned that you got a pan India market for these products, but a couple of questions in relation to that are any of these companies, most of these companies already related to other players in the market or they already distributing through other company, is my other question is that would we again follow our strength has to go into a more not be urban areas but go more deeper into the country and be able to create a market there are we expected to do that kind of a approach Sir?

Atul Mehta: One is the first question is in terms of the pan India Sandisk they already have a existing relationship with distributors we have been brought on board as an additional distributor, Linksys is an exclusive relationships we are replaced another distributor they expect a better outcome from us. LG Signages is an additional appointment, Emerson is an additional appointment, Lenovo is a replacement of existing distributors because they have appointed us on an exclusive basis and Molex is an additional appointment they already have an existing distributor in the market. Now in terms of why this appointment that we can possibly in existing market share in the country they feel because some of them already have existing relationships then why have they brought companies on board so they feel that as trends will help them get more market share and typically one of our USPs not the only USP is who cater beyond the top ten, top twenty, top thirty cities. Not that we will not focus on the top 30 cities but we continue to put in more development efforts in the I would say three and e-class city where in time to come we expect more growth in terms of percentage to happen. So I guess that answers the two questions that you have raised anything that are left out please repeat that.

Samrath Sanghavi: No sir I understand that, but I just wanted to actually if there could be any metrics which are probably if you could share in the future that the kind of growth that we are expecting in the rural versus the urban market size is because typically the impression is that average market sizes are more takes away and hence more IT product demand would exist but if there is a rural latent demand which is not being fulfilled if we could get any metrics on that, that would be really helpful Sir.

Atul Mehta: We will try and do that but all these numbers are very difficult to give because there are some companies to look at only metros and then B class cities, and then C&D class cities. Some companies look at top seven cities and then some look at top 28 cities and the rest. So everyone there is no real classification a company may classify Pune or Ahmedabad as B Class cities, some may try it as an A Class cities. So all these becomes very, very difficult but why beyond these top 20 cities growth is likely to be more in terms of percentage I am saying not in terms of absolute because obviously we are smaller market because the penetration level of especially IT has been lower in those markets for two reasons one is education level and second is of course the broadband or networking penetration in those markets with that increasing definitely the penetration in those markets will increase.

Samrath Sanghavi: Sir just last couple of questions, one is with respect to Lenovo they have just given you a PC distribution exclusivity right sir not Laptop sir.

Atul Mehta: When I say PC we normally talk about both Laptop and Desktop. So now in the industry parlance this is from the IT industry parlance we break it up in consumer and commercial space there is no really bifurcation as such what this bifurcation means is a particular stake level goes more into consumers and SOGO segment a particular stakes which goes more into the commercial enterprise institution space. So that is the bifurcation and an industry language I would say, so we have been given focus area is consumer PCs both Desktop and Laptop.

Samrath Sanghavi: Sir just one more thing with respect to book keeping if you look at finance cost typically Y-o-Y they have remain flat but we see a dip in June and in December is it a correct, but could you explain us to why would there be a dip and 9 Crores in June 2016 and 12.5 Crores in September 2016 so is there any additional demand or we are expecting probably because of the festive season we are actually increasing our inventory and hence we have a higher working capital demand and hence higher finance cost.

Atul Mehta: What has happened we are seeing of lately there has been a little slower realization of payments is one, second is yes due to festive periods the inventory levels do go up to some extent. So I think this is the reason of little enhancement of a little increase in the finance cost.

Samrath Sanghavi: But sir it has been the same last year also so I just thought that is it a seasonality kind of the thing whether we expect them to be higher in the half year and the year end and in the other periods it is quite lean.

Atul Mehta: Not really I do not think here a seasonality plays a role except the inventory pattern the receivables is more a function of payments coming from resellers especially the delays happen in products which has a longer lead cycle where they are depend some of the projects execution gets delayed and therefore the payments from system integrators who are get delayed seasonality have no role to play in that but still typically if a reseller gets stuck sometimes of course they delayed the payment.

Samrath Sanghavi: But I believe that this delay is not a significant concern.

Atul Mehta: No it is not a significant concern but just to share with you that since last two years our board and we have been at a very active discussions on whether we should take credit insurance or no, we have always been evaluating our bad debt versus eh cost of insurance and the benefits resulting out of the same. So this year we have taken a call to go ahead with credit insurance towards the end of July we have signed up for credit insurance we are protecting our credit because not that there has been a significant increase in bad debt but with a very aggressive market penetration plan with an increase in revenue we want to grow by more than the industry growth rate. So just to as the word insurance growth we are taking it only for that perspective so we have already signed up for credit insurance for our entire business in India.

Samrath Sanghavi: Sir thank you so much, if I might have additional questions I will just come back in the queue. Thanks and all the best.

Moderator: Thank you. We will take a follow up question from the line of Samrath Sanghavi from Phillip Capital. Please go ahead.

Samrath Sanghavi: Sir just one small question what are we expected to do with respect to the amount of cash that we have in our balance sheet I think we have around 1116 Crores has there any claim been short out currently.

Atul Mehta: See what happens is in this industry while we are pursuing several business opportunities some relationships takes 90 days to form up some relationships takes three years to form up. So we do not know and once it forms up we cannot tell them look we need to arrange finances and let us start this relationship after one or two quarters. So we have to be prepared for two things one is new relationship signup which companies has been pursuing very aggressively in the first quarter we had three or four sign ups, and second quarter we have six sign ups and O&D quarter we are likely to have maybe three to four signups. So what happens is we need to have cash ready for that is one thing second is we always plan on having at least about 15% buffer available for delayed receivable payouts or higher inventory that we need to carry or for any matters the existing business that goes up so we do not want to miss on any of those opportunities it is only with that objective there is no other objective.

Samrath Sanghavi: But when we are talking about any new relationship developing how much will be the cash outlay sir.

Atul Mehta: It would be in line with the industry trend I would say the industry trend typically a net-net for just to take you through with our receivables and inventory being at about 80 days approximately we were take 5 days. So we plan on 90 to 95 days working capital turnaround and then we have suppliers credit also available. So based on the same if we say we need about 60 to 70 days of working capital network suppliers credit so we need to have that much available with us for nay new business that we are going to get it.

Samrath Sanghavi: So am I right, per business you need to 60 to 70 days, if you have get six new vendors I presume that you would require given their individual sizes you would require 60, 70 days of working capital for that.

Atul Mehta: That is right. We do not want to lose any opportunity and we are very, very clear that we honor all our vendors commitments on time and that the credit that we have build up in the industry is helping us get these new signups they all exchange note, they all go to the market and find out how Compuage is going with customers, how Compuage is going with their existing vendors, so that is the strength that we have built and we do not want to have any negative on that front and as I said we are working with several brands and we do not know when which will fall through.

Samrath Sanghavi: And sir this 44 Crores worth of short-term loans and advances could you please give us an understanding as to which what are these advances or they just deposits or any other thing sir.

Atul Mehta: To the company is what you are referring to.

Samrath Sanghavi: Sorry to.

Atul Mehta: You are referring to the loans and loans to the company.

Samrath Sanghavi: Yes sir the 44 Crores item that we see on consolidated basis sir.

Atul Mehta: See these are brought in by families and friends these are more of unsecured loans that the company.

Samrath Sanghavi: Sir on the asset side Sir.

Atul Mehta: See what happens is if I am right these would be advances paid to the vendors we have vendors giving us a line of limit now for any reason we have over short that line of limit then we would have to go and make advance payments to get the fresh material from there. So this would be towards those advances that we would have to make to the vendors and of course that we do get cash discounts so that it get nullifies of additional finance.

Samrath Sanghavi: Thank you sir.

Moderator: Thank you. We will take the next question from the line of Shivang Unadkar from Inga Capital. Please go ahead.

Shivang Unadkar: Sir congratulations on the good set of numbers. Sir one question I had was that can we continuing to see this kind of growth that we are seeing we grow by almost 30% last year. So can we expect the same this year or we will see our normalization on the growth?

Atul Mehta: The company is driving this at normally I do not want to get into forecasting the numbers, but I will just share that we are working towards we have internally set two targets one is the must to is about 20% and the second is the stretch goal of about 30% and we are definitely trying to work towards that that is what we would like to do and the H2 is very important because we normally do more business in H2 as against H1 for two reasons, one is of course the new sign ups contribute to that additional business and second is the H2 typically in the industry we are seeing 55, 45, 60, 40, that kind of numbers happening in H2.

Shivang Unadkar: And with respect to the cash deployment for the new clients that we have on board so what kind of cash would be going out for getting these right now.

Atul Mehta: There would be no as I said we are in the process the first quarter tells us how much the business build up will happen with these new brands that we have it is very difficult to quantify that Lenovo will do a X business or Y business so of course we have an estimation that we put in place and that is why the cash is available and typically we will plan on 60, 70 days requirement basis the revenue of first quarter.

Shivang Unadkar: Sir and with respect to the international business are we what kind of traction are we seeing there.

Atul Mehta: We have a very, very small international business and I would not really call at international see primarily we have two business opportunities in international one is by some of the brands they have India as their headquarter for SAARC countries so Cisco has given a distribution license first likewise there are couple of other product lines they have given us opportunities to work with on time-to-time basis it is not a very firm relationship and third is we have some arbitrage opportunities available by virtue of being in the market primarily Singapore, Sri Lanka, Bangladesh and Nepal. So as a percentage I think the international business contribution in my estimation would be I would say less than would be in the region of about maybe 15%.

Shivang Unadkar: With these new clients get at adding can we see some margin expansion in the next year or that would be unlikely.

Atul Mehta: Gross margins more or less remains flat I do not think that is going to happen that will definitely contribute to enhancement of bottom-line, what happens is the gross margins are more or less set and not much deviation which is going to happen on that front.

Shivang Unadkar: Sir and is it that for the pan India we get a better margin than regional story that we have.

Atul Mehta: No margins tomorrow for example if Lenovo gets expanded into other markets the margins would remain the same, there is no advantage or disadvantage in getting a larger or a smaller territory.

Shivang Unadkar: That is it from my side Sir. Thank you.

Moderator: Thank you. We will take the next question from the line of Shivang Unadkar from Inga Capital. Please go ahead.

Shivang Unadkar: Sir just one more question sir the 20% growth you are saying is considering the new business that is coming in or this is the older business only.

Atul Mehta: No that is built into the cycle it includes the new business because in the first two quarters business ramp up is slow and when we make plans in the beginning of the year we always build in a certain percentage of new businesses that will come on those. So if I really talk, as I mentioned earlier we are growing faster than the industry and so that growth rate is coming on two counts one is new businesses that we sign up second is by trying to penetrate deeper in the markets and trying to grow the business in the existing product line.

Shivang Unadkar: Thanks.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Mr. Sonal Kumar Srivastava for his closing comments.

Sonal K Srivastava: Thank you everybody on behalf of Kirin and Compuage I thank you all who have been present on the call if there are any queries you can definitely reach us we will be happy to answer to your queries. Thank you very much. Have a good day.

Moderator: Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining us. You may now disconnect your lines.