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COMPUAGE INFOCOM LTD

12th August 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, 9th August 2016 at 4.00 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 9th August 2016, to discuss the financial performance for the quarter ended 30th June 2016.

Please take the disclosure above 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
Q1 FY17 Earnings Conference Call"

August 09, 2016

ANALYST: **MR. SUNIL MUDGAL - KIRIN ADVISORS PRIVATE LIMITED**

MANAGEMENT: **MR. ATUL MEHTA – CMD - COMPUAGE INFOCOM LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Compuage Infocom Limited Q1 FY17 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Mudgal. Thank you and over to you Sir!

Sunil Mudgal: Hi everybody this is Sunil Mudgal from Kirin Advisors. First of all I welcome every analyst and investors to the conference call of Compuage Infocom Limited. Also I would welcome Mr. Atul Mehta, CMD, Compuage Infocom Limited. Now I hand over through the call to Mr. Atul Bhai, he will give you an opening remarks and going forward. Atul Bhai, please.

Atul Mehta: This is Atul Mehta. Let me use this opportunity in giving a brief background about the company, since this is the first analyst call that we are getting into.

Compuage Infocom Limited was formed in 1987 and has been in this business for 29 years now and we started as a small two people operation, selling computer consumable, gradually moving up the value chain through getting into imports and then the present destination of organized distribution, which we got into early 2000.

We are currently headquartered in Bombay. We have 43 branches across India including one branch office in Singapore, we have 48 warehouses, 51 service centers, team of about 650 professionals and we represent 23 global brand. Our entire business model is through channels only we don't sell anything directly to end customers, we have active channel community of approximately 10000 across India and a few in SAARC countries like Bangladesh, Sri Lanka and Nepal, for which we have distribution rights of couple of product lines.

Our top five vendors or principals whatever we call our HP Incorporation, Microsoft, Cisco, Samsung and Asus. As I said we have 23 vendors there are several others like Toshiba, ADATA and several others.

In terms of our board, we have merged with an entity in the year 2000-2001 by virtue of which we became a listed entity and we have been listed ever since then. Ever since we got listed of course we have not had any follow up public offerings. We have had couple of preference shares issuance since then and just to share the numbers very briefly in the last five years our CAGR has been over 15% our profitability has been even better.

In terms of financial year 2015-2016 we have grown by about 31% in terms of topline and profits have also grown commensurately. As far as our Q1 FY17 is concerned our sales has been had grown marginally on a consolidated basis from 672 Crores to 685 Crores whereas our profit after tax has grown from 2.82 Crores to 3.42 Crores it has been a flat quarter as far as the topline is concerned. We have emphasized on growing the profitability. Quarter one in this business, in this industry is usually slow and it gradually picks up as we progress in the year so it is nothing very surprising and as far as the year is concerned we are very optimistic and we are targeting a growth of about 20% to 25%.

So that is in a nutshell about the Compuage, before I end I just like to share a little about the board of directors and the leadership team within Compuage. We have five directors on the board of Compuage. Two are whole time directors one is myself that is Atul H. Mehta and the second is Mr. Bhavesh Mehta and the three non-executive directors are Mr. G.S. Ganesh, who is a Merchant Banker, the second one is Mr. Vijay Agarwal, who is a Practicing Chartered Accountant and the third one is Ms. Preeti Trivedi, who is a Financial Advisor. As far as our leadership team is concerned, we have nine people including Bhavesh and myself on the leadership team the other seven key senior personnel are all with the organization for over ten years now. So we have a very, very strong team and we are quite confident on the industry that we are present in, because we have two verticals one is the IT and second is the mobility vertical and both these verticals with the low penetration levels in the country are expected to grow and do well as we move forward. So that is briefly about the company from my side. Now I will possibly like to open up for questions that you may have, that you would like to ask me.

Moderator: Thank you. We will now begin with the question and answer session. We take the first question from the line of Prashant Tapse from Mehta Equities. Please go ahead.

Prashant Tapse: Congratulations for the first time you are arranging a con call and my question is with respect to the mix of verticals. You said you have two verticals. Can you just give us the mix of two different verticals the percentage in terms of revenue and other things margin wise?

Atul Mehta: In terms of two verticals, one is the IT vertical that we started our business with and second is the mobility vertical. The IT vertical has basically the entire gamut of IT hardware and software products, and the mobility vertical has primarily the smart phones and tablets that is how we differentiate the industry, in terms of the Compuage mix of these two product lines we have entered the mobility vertical approximately four years back and the breakup for the financial year 2015-2016 would be approximately 85% and 15% respectively for IT and mobility respectively.

Prashant Tapse: In terms of margin mix how much the IT contributes?

Atul Mehta: Margin mix would more or less be similar of course our industry operates on similar gross margin with very marginal difference between the two but I would say the margins also would the contribute in the same passion of maybe approximately 85 and 15% respectively.

Prashant Tapse: With respect to the mobile segment mobility segment what actually you do in this segment what is your contribution?

Atul Mehta: We are selling smart phones and tablets.

Prashant Tapse: In your brand?

Atul Mehta: Basically distribute one is we distribute Samsung smart phones and tablets in Delhi.

Prashant Tapse: So you mean to say you are the distributor for this?

Atul Mehta: Yes, there are territorial restrictions so for Samsung we have territory of certain parts of Delhi that has been assigned to us on an exclusive basis. Second brand that we carry is Asus smart phone so we have four or five geographies across India that has been assigned to us again on an exclusive basis and third brand that we carry is the Reliance LYF Brand of smart devices, which have been introduced about six months back.

Prashant Tapse: That is Jio.

Atul Mehta: No not Jio, Jio is going to be the launch of that services LYF is the brand of smart phones that they have introduced so that we carry in the state of Kerala.

Prashant Tapse: Only in Kerala.

Atul Mehta: Only in Kerala.

Prashant Tapse: My follow up question was can you just give us some top five clients in terms of contributions how much they contribute and over the top five clients?

Atul Mehta: You are talking about our customers or our vendors?

Prashant Tapse: Customers.

Atul Mehta: Customers see as a business our business is spread across India we sell to 10000 dealers and for us we do not have the number of banking keeps changing every week so we don't have any significantly large customer who plays a dominant role in our business.

Prashant Tapse: Thank you very much.

Moderator: Thank you. We take the next question from the line of Nilesh Katani from Magnum. Please go ahead.

Nilesh Katani: Sir I just wanted to understand just to continue that question what Mr. Tapse ask you like basically you are a reseller correct of all those products?

Atul Mehta: I will put in the other way we are not a reseller, we are a distributor associated directly with these brands. They have distribution relationships while most of the brands we have pan India distribution and that is why we have 43 ware offices, 48 warehouses and 51 service centers. Resellers buy from us. How this business model works, just to elaborate there are vendors like all the brands that I mentioned and several other brands they sell to distributors like us, we sell to resellers and resellers sell to end customers be it an individual, be it a small office, be it a large office, be it a government organization this is how the business model in this industry works.

Nilesh Katani: Sir basically if you are talking about you are becoming a distributor so do we have an e-commerce channel here or e-commerce is again reseller for you.

Atul Mehta: E-commerce is a reseller to us. Now e-commerce have two models of sales one is the they buy and sell directly in the way companies like Flipkart does they have a company which buys and sells directly so we sell to them and they would intern sell to end customers. The second model is the model which companies like Snapdeal and Amazon follows where they have a market place model where the dealers buy and sell on their behalf they have various controls to ensure the quality and everything has been maintained. So we again would be supplying to their dealers and they intern would be supplying to end customer then that is the reason we don't want to compete with our dealers and therefore we don't sell to end customers directly.

Nilesh Katani: So basically here if you talk about procuring from the vendor and supplying it to resellers your margins would be more or less fixed sort of or they vary from what product-to-product or what?

Atul Mehta: They are more or less fixed but there are some differences between certain product categories I would say not product-to-product if we are working with a particular vendor more or less the margin more or less similar but between vendor A and vendor B there could be some small difference that could be prevailing.

Nilesh Katani: But can you explain us that margin basically just to understand and to get that just to get that know-how like what our model is actually and how are working on it, like if we have an X percent of margin on a product so what are our expenses against that X percent of margin like see one is your warehousing one is your logistic like can you just briefly explain us what?

Atul Mehta: Basically in terms of our expenses there are I would say put it as three major costs one is the entire infrastructure cost including the IT backbone that we have because IT backbone to support these kind of offices, warehouses, service centers, is quite an elaborate setup. So the infrastructure, warehousing and the logistic that is one part of the cost, second is the people cost which is very significant in our business because we are selling technology product so our sales people are also we have a fairly large sales and marketing team of about 275 people so therefore the employee cost that is a second significant cost and third significant cost is the finance cost these are the three major expenses that we have has as an organization.

Nilesh Katani: So just to understand Sir roughly what would be our percentage and how much these three category verticals would be taking our chunk of EBIT from us right?

Atul Mehta: I would be able to give you an indicative cost I would say finance being the major cost that would be approximately may be close to about 1.2%, 1.3%, second would be the employee cost which comes close to about 1%, and third would be the other expenses that I mentioned about the price structure and the warehousing and everything else.

Nilesh Katani: That would be around?

Atul Mehta: The other expenses also would come close to about 1%, 1.2%. These are the three significant costs that we have that would more or less take care of everything.

Nilesh Katani: So what is our team size right now including your ground level staffs and your sales team?

Atul Mehta: Total team size is approximately 650 people.

Nilesh Katani: That is pan India.

Atul Mehta: Pan India yes, and that includes about five or six people that we have in our Singapore office. We have a branch in Singapore catering. We have distribution rights of our country for Cisco as a business and we cater to Nepal, Bangladesh and Sri Lanka so we have five or six people operation in Singapore which is a branch of Compuage India only and so including that about 650 people.

Moderator: We take the next question from the line of Rajeev Kathar from May Bank. Please go ahead.

Rajeev Kathar: Sir congratulations for very good set of numbers, and we have been seeing consistent growth in sales volume and about as you listing also we congratulate you. Our question is after this GST era how do you see the profitability to improve or how will it change in future I am assuming that probably this will be a beneficial thing for Compuage?

Atul Mehta: Yes definitely, being into distribution and being into supply chain management as a business GST will be a bone to us it will like for everyone else it will simplify we have so many offices, so many warehouses, it will simplify our working, simplify the tax structure, simplify the processes so whatever savings we can do by virtue of that it is difficult to quantify now but it will definitely help us improve on our profitability as we move along.

Rajeev Kathar: One more question I had that with your business with Reliance Jio you are increasing can you provide me a little bit visibility on the top-line side how would this grow in next one or two years?

Atul Mehta: It is still in the nascent stage of the business because this business was started only about six months back and it is a lot while it is not linked to the Jio services but that will definitely have a bearing on it, bearing on the positive side. These devices can be used on the other service providers as well so it is difficult to quantify the exact growth that we will get out of this life smart phones as we move along but just to share with you that in the last six months from first month to six months the business has been moving forward positively has been growing and as we move along I am sure it will improve from here on. Maybe we will be able to quantify these numbers better next year after completing one year of business with them by when we will be able to sit down and do a business plan on this product line once it kind of settles down.

Rajeev Kathar: Sir my last question is we have been seeing good sales volume growth and that is why topline has been increasing, how about the profitability portion do you see this going to be flat in future or this is expect to be improve a little bit.

Atul Mehta: No it will definitely improve if you see the Q1 performance of FY2017 while sales has been flat profitability has grown by almost 21%. Now moving forward we have to share with you how this industry works it is on volumes and moving forward once our volumes increase which are bound to increase we are working towards that as I mentioned in my initial address we are targeting growth of about 20% to 25% if that is the topline growth, we expect bottom-line growth to be same or even better, so as our volumes increase our economies of the company will benefit because of better economies of scale better product mix that will contribute to better profitability as we move along.

Rajeev Kathar: Thank you so much Sir and good luck.

Moderator: Thank you. We take the next question from the line of Nilesh Katani from Magnum. Please go ahead.

Nilesh Katani: Mr. Mehta just to understand like if a vendor for example if you say as to or if you say see scope like see they have got basket of products correct.

Atul Mehta: Right.

Nilesh Katani: So how do you get that product or whichever product you want to sell or how does it just I wanted to understand if how do you get that things in your pocket line.

Atul Mehta: Normally again I will breakup into two parts one is the IT industry second is the mobility industry, each industry has their our characteristics. Typically the way the IT industry works yes they can segment the product basket if they want to that there could be product line A, product line B and they can give you for one of the two or both, but two as far as Compuage is concerned Cisco is concerned we have the entire market, Asus IT is concerned we have the entire basket of product, Asus mobility is concerned we have the entire basket of products but there are geographical territorial restrictions that is how the mobility industry works IT industry works with multi distribution model, but no territorial restrictions by and large, the mobility industry works with territorial restrictions, but on exclusive basis.

Nilesh Katani: Just wanted to understand now like ASUS is coming out with a model or new smart phone for example so it will be automatically coming in your pocket and all those criteria's and assignments and agreements will be done?

Atul Mehta: Agreements is signed at the beginning when we get into a relationship so specifically if they come out with any new models that would automatically come into us for our territories that we are assigned to.

Nilesh Katani: Sir again here when we are talking of 22% sales increase year-on-year just to understand how much is IT part of it will contribute and how much of this will contribute?

Atul Mehta: Moving forward IT we are as I mentioned for the last financial year, the breakup has been about 85% for IT and about 15% for mobility moving forward our mobility penetration has been low compared to the trends in the industry so moving forward if I look at a three year period I think we may end at about 65%, 35% or 70%, 30% in favor of IT so mobility will be as a percentage grow faster.

Nilesh Katani: Thank you very much.

Moderator: Thank you. We take the next question from the line of Aakash Jain from Icon global. Please go ahead.

Aakash Jain: Good evening Sir. Congratulations on a good set of numbers and your first concall. I would like to get the color on the competitor's side?

Atul Mehta: Thank you Aakash. See this distribution industry is not a very big industry. It is difficult to quantify the entire set of distributors but if I were to quantify distributors may be in the range of 500 to 15000 Crores of revenue on an annualized basis there would be approximately now here I am using the word approximately because we cannot quantify everyone would be about 10 players in the space. The two largest players in this space are one is Ingram Micro, which is an American company and the second one is Redington. I am not taking in the order of their ranking I am just saying these are the two largest players in our industry.

Aakash Jain: Does Ingram Micro have presence in Indian operations?

Atul Mehta: Yes, they are present across India.

Aakash Jain: My second question would be on the working capital cycle; I would like to know how is the case with the debtor cycle in our industry since your working capital debt is also very high?

Atul Mehta: See we are a working capital intensive company or a business, or an industry I should say when I talk about distribution industry so our entire bulk of our assets apart from IT infrastructure is into current assets which is a function of invents and receivables. So that is why our entire working capital is deployed towards this now to answer your that is what would be the working capital around time for debtors for us it is approximately 40 days.

Aakash Jain: Can you repeat Sir?

Atul Mehta: It is approximately 40 days.

Aakash Jain: And going forward it is expected to reduce or it would remain at the same level?

Atul Mehta: It would remain at the same level.

Aakash Jain: I wanted to know on the OPM level that is the operating profit margin. I see that is our return on equity is around 14% so any change in operating profit would lead to a increase in ROE but we are seeing it is around say 2% or so. So are we expecting any increase so that our ROE improves in the future?

Atul Mehta: Yes, definitely as I mentioned in my earlier answer that as our volumes growth we will benefit from economies of scale and the profitability of the company will improve that will definitely have a direct impact on improvement of return on equity.

Aakash Jain: Any guidance per se for example next three years so what would be ROE levels would be say by FY2019 or so?

Atul Mehta: It would be difficult to give you the guidance at this point of time may be we will try and share that with you in the next call.

Aakash Jain: Thank you very much.

Moderator: Thank you. Next question is from the line of Nilesh Katani from Magnum. Please go ahead.

Nilesh Katani: Mr. Mehta, just one more just to understand like this capex cycle what we have now this working capital cycle it will grow by 20%, 22% or a 23% odd so are we going to do any further capex in our this or there is really all the things have capex and everything has already been done to grow at that level or just to understand.

Atul Mehta: We are adequately taken care for the current financial year. We have planned our needs and has been taken care so we are very comfortable at this point of time for moving forward for future we will get into our planning exercise towards the second half of the year by when we will know once we put a plant into place for FY2018, FY2019, by that time we will be able to know the requirements and how we plan to finance this thing.

Nilesh Katani: Thank you very much.

Moderator: Thank you. That was the last question, I now hand the conference over to Mr. Sunil Mudgal for his closing comments.

Sunil Mudgal: Thank you everybody for joining the conference call. If you have any questions please mark a mail to me that is sunil@kirinadvisors.com. Thank you again.

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