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COMPUAGE INFOCOM LTD

5th June, 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, 2nd June, 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, 2nd June, 2021, at 11.30 a.m. IST, to discuss the Operational and Financial performance for Q4 & FY21 and allied matters.

Please take the disclosure above on records.

Thanking you,

Yours faithfully

For **Compuage Infocom Limited,**

Anmol Jolly
Company Secretary

COMPUAGE INFOCOM LTD MUMBAI

Place: Mumbai
Encl: As above

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"Compuage Infocom Limited Q4 FY-21 Earnings Conference Call"

June 2, 2021

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY21 Earnings Conference Call of Compuage Infocom Limited. 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 involves 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 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. Atul Mehta – Chairman & Managing Director, Compuage Infocom Limited. Thank you and over to you, sir.

Atul Mehta: Good morning ladies and gentlemen. Thank you for joining us on Compuage Infocom Limited's Q4 FY21 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 the business highlights. I am very pleased that the Company has continued the recovery momentum growing its Q4 FY21 revenue by approximately 7% on quarter-on-quarter basis, EBITDA by 44% quarter-on-quarter, and profit after tax by 24% on quarter-on-quarter basis.

Even on year-over-year basis, we are posted revenue growth of 3.3% during Q4. However, profitability was impacted due to higher competitive intensity. FY2021 was one of the most challenging and eventful year for the Company. Many of the industries witnessed unprecedented levels of disruption in FY21 which completely changed the working dynamics of the industry. Gratefully, IT industry after being impacted for a brief period of time during the start of the year, bounced back much stronger when the things started to normalize as lockdown restrictions were eased.

Sustaining the business and profitability during FY21 took precedence over chasing growth for us. We are extremely pleased to have come out of the pandemic year relatively unscathed on the back of consistent business development and cost optimization initiatives. We are also into the process of consciously 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.

Although second wave of COVID-19 lock downs has somewhat impacted the business recovery momentum, but our business development team has ensured that the time does not go unutilized by finding two new partnerships. These include distributorship agreement with Optoma Corporation for enabling resale of interactive flat panels in India. This tie-up would further strengthen our company's foothold in the audio video channel segment, thereby enabling us to offer a better product basket to our partners in information technology.

Another one is with the Dahua Technology, whereby they have extended the distribution agreement to cover an additional product line of storage business that is, first all solid state drives on pan India basis. Extending the relationship to cover additional product line is a testimony to our excellent serviceability and vendor satisfaction. Although Q1 has been impacted due to COVID-19 lock downs, we believe that business recovery would be much more stronger and sustainable in times to come once a pandemic subsidized.

Let me give you an overview of our consolidated Q4 and FY21 results. Total income for Q4 FY21 stood at Rs. 1,082.9 crores as compared to Rs. 1,048.4 crores in Q4 FY20 up by 3.3% year-over-year and up by 6.9% quarter-over-quarter. Total income for FY21 stood at Rs. 3,747.2 crores as compared to Rs. 4,249.2 crores in FY20 down by 11.8% year-over-year. Gross profit for Q4 FY21 stood at Rs. 51 crores as compared to Rs. 54.8 crores in Q4 FY20 down by 6.9% year-over-year but up by 15% quarter-over-quarter.

Gross profit for FY21 stood at Rs. 169.9 crores as compared to Rs. 194.9 crores in FY20 down 12.8% year-over-year. EBITDA for Q4 FY21 stood at Rs. 32.9 crores as compared to Rs. 32.3 crores in Q4 FY20 up 1.7% year-over-year and up by 43.9% on quarter-over-quarter basis. EBITDA for FY21 stood at Rs. 94.4 crores as compared to Rs. 105 crores in FY 20 down by 10.1% year-over-year.

EBITDA margin for Q4 FY21 stood at 3% as compared to 3.1% in Q4 FY20 and 2.3% in previous quarter. EBITDA margin for FY21 stood at 2.5% at similar levels to last year. PAT for Q4 FY21 stood at Rs. 7.6 crores as compared to Rs. 10.5 crores in Q4 FY20 down by 27.6% year-over-year but up by 23.6% on quarter-over-quarter basis.

Before concluding my part of the speech, I would like to say that FY21 was the most challenging year the Company has ever faced. However, this year gave us opportunity and learning about the new ways of doing business and deeply analyze the cost structure to make it more efficient. Lessons learned during this year has made us much more wiser and much more capable to face any future challenges that may come.

Our focus going ahead would be to keep adding meaningful brands to widen our product offerings, improve profitability through better product mix and cost optimization initiatives, keeping on improving our serviceability and thereby create value for all our stakeholders. Finishing the year on a positive note and a good business outlook ahead, we have decided to continue our uninterrupted dividend track record hence we have proposed a final dividend of Rs. 0.2 per share, subject to approval of the shareholders at the AGM. With this, I now open up 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 Aasim Bharde from DAM Capital Advisors. Please go ahead.

Aasim Bharde: Sir, my first question, I would like to ask how are you doing in terms of procurement from your vendors, as the semiconductor shortage globally lead to supply chain tightening for your vendors and as a result is that working Compuage is doing business basically not be able to cater to ground level demand because of supply issue?

Atul Mehta: So you are right, there are some supply constraints, especially in the laptop category of products because of surge in demand not only in India but globally. And therefore there is some disruption but it is not as much felt now as it was possibly felt about six to nine months back. I think things have improved substantially. Lot of sale has happened and of course sales will continue because there is a large untapped market.

Aasim Bharde: And in the current juncture, any sense on by when do you think that the semiconductor shortage should be balanced out with demand? It will take another six to nine months before the demand supply gap matches evenly or do you think there will still be some time over there?

Atul Mehta: It is very difficult to comment on it. For the simple reason that the semiconductor demand has increased because of wider application and wider use of the same with everything getting connected. I do not think I will be able to comment on it whether the demand and supply should match up in six months' time or 12 months' time. It will all depend upon how the demand has been catered to by the addition of new facilities in the market.

Aasim Bharde: And can you tell me like who are the top five brands with whom you work with in the distribution business?

Atul Mehta: So the top brands that we work with are Asus, HP, Cisco, Microsoft, SanDisk, CommScope these are the top six, seven brands that we work with.

Aasim Bharde: And how much would that be contributing to your revenue?

Atul Mehta: I think they would contribute close to about 65% of our revenue.

Aasim Bharde: And the second question, I just looked at your full year numbers so revenue is down 12% YoY but receivables are still flat on an absolute basis. So like, can you talk about that? Why would have receivable days been risen and do you have any strategy to bring this down this year?

Atul Mehta: So basically, while business did revive in the second half of the year, the receivables part was not keeping pace with the revival because there were cash flow challenges, especially in the enterprise side of the business. And that was the reason why the receivables have not improved. While we are doing everything possible in terms of ensuring that our money comes in on time and we do not take aggressive calls in pursuit of business, we want to keep the business hygiene foremost as far as the Company is concerned. So while things were getting back on track, it is once again affected on account of this Wave 2 and therefore we will see some time before it normalizes.

Aasim Bharde: Final question on your non distribution part of the business, basically cloud computing and hardware services, how much does it contribute to revenue and how is your working capital profile here different compared to the traditional distribution?

Atul Mehta: So Cloud Computing is absolutely part of the distribution business. The way we distribute our software products, hardware products, we distribute cloud. It is through partners only B2B. We do not engage directly with end customers except supporting them through partners wherever required. And therefore it is part of our distribution strategy and part of our distribution business. The receivables are again in line with our receivables of the enterprise business so it is not different.

That is on the cloud computing side. As far as the hardware services go, I will just give a little update on it. What we do is we sign up with the brands as their Authorized Service Provider. We have signed up with six, seven brands. The leading ones being Xerox, Vertiv, ASUS, HP and a few others. Typically, most of our businesses, servicing customers during the warranty period. So when a customer calls the toll free number of Xerox or Vertiv or ASUS or HP, they take the call and divert it to companies like us who are their Authorized Service Providers. We fix the problem and then we get compensated by the brand themselves. So while we are serving the end customers, we do not canvass for business from the end customers. The business is routed through us by the brands themselves. It is again like a distribution business. We are the conduit in taking care of the services.

In terms of receivable cycle, it is almost similar. But it is a profitable business. We do not mind. In fact, it is a little longer. And in terms of the top line, it is a very, very small percentage of our business at this point of time.

Aasim Bharde: Sir, working capital broadly for both these businesses is similar to the enterprise business that you said?

Atul Mehta: Yes, absolutely.

Aasim Bharde: And for enterprise business, the working capital would be approximately how different versus your traditional distributed business?

Atul Mehta: So enterprise business, I would say would entail a little longer working capital cycle by about 30 days.

Moderator: Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital, please go ahead.

Nagraj Chandrasekar: Just starting off with the margin, we made this quarter 2.75% operating margin. What really drove this? Are there some structured elements to this that is why the distribution margins, for everyone can be much higher now because the smaller distributors, the regional guys who have a couple of hundred crores of revenue here and there. In different regions of India, a lot of them would have stressed balance sheets and might have exited the business. Has this somewhat taken up margin structurally or is it a sort of one quarter, two quarter phenomenon?

Because we have seen a tightening of supply versus higher demand due to work from home. And you had lower inventory write-offs and lower debtor write-offs. So what really sort of drove this and is it sustainable? That is the first question.

Atul Mehta: I am sorry, can you come to the first part of question, again, not very clear. You are talking about the operating margin?

Nagraj Chandrasekar: Yes, the operating margins, the 2.75% margin is much higher than what you have historically done. Is it something structural that is driven it or is it a one-off or is it driven by maybe a reversal of inventory Prudential write offs we usually do debtor write offs, what really drove this?

Atul Mehta: So our conscious effort as a Company has always been, especially in these times to look at profitable businesses. And we have tried to focus on businesses which give us a higher margin. And I do not think we have done structurally anything different to answer your question first. And we have just been very, very selective when we go out and take the orders.

There are all kinds of orders in the marketplace, all kinds of price points at which we can pick up. So we have been a little more selective to ensure that when, on the year-on-year basis, we have had a drop in revenue, we try and ensure that we maintain a particular level of gross margins and operating margins for the Company. So nothing very different.

Nagraj Chandrasekar: The question would be, is this sustainable? Because a lot of smaller distributors or sub distributors have exited the business, and/or whether once if we get back to growth post COVID, we are likely to go back to a lower sort of long term 2%, 2.25% margins?

Atul Mehta: So one more element I would add to that is there has been some cost rationalization also, while some of it is sustainable, some of it will possibly come back also because we have really tightened the screws a little too much. So I think that was a second element to it apart from trying to focus on higher margins, and second is the cost rationalization. Now we have not seen many or any partners exiting the business or anything of that kind as we speak.

And I think all these partners well I mean. IT industry as I mentioned at my statement has been one of the relatively unaffected industries, and therefore these partners will continue to sustain and grow their businesses in the years to come. Now, the last part is whether this 2.75% is sustainable. I would say, if you look at a trend for throughout the years, we have been operating at maybe in the region of anywhere between 2.3% to 2.5%.

So it is going to be our endeavor to work at that level. And if we can sustain it, that would be wonderful. So again, we are going through a challenging quarter, and therefore there will be lot of imbalances taking place, which hopefully should get settled down again from Q2 or Q3 this year.

Nagraj Chandrasekar: Working Capital, just to push point, by the prior participant, our revenues are down, roughly around 5% to 10% driven by the 1Q 21 numbers, for obvious reasons. Working capital is sort of flattish, I guess. Working capital is a function of revenues done in the last quarter, so that makes sense. I just want to get your sense on the reduction seen by our large listed player in their India working capital versus what do you think has sort of driven this?

Why have not we been able to get our working capital down to those levels? Have there been certain brands carried by that, that competitor, the large listed competitor, sort of given favorable terms that has enabled it to do so. And what really has driven that, and why were not be able to get this sort of reduction?

Atul Mehta: So, we know the company that we are talking about, and let me acknowledge and appreciate what they have delivered is a fantastic performance and something we would love to follow and implement. I think there are two aspects to it. One aspect is the product mix plays a very, very important role. If the working capital cycles in the consumer part of business which comprises of PC peripherals, and mobility, the cycles are relatively shorter. In fact, mobility is the shortest.

Enterprise cloud, the cycles are relatively larger. Now, if you would have noticed that their mobility play itself is in the region of about 27%. Their consumer play of course, has not been separately defined, but it is fairly large. So that is the biggest differentiator because the working capital cycles in those product categories are shorter vis-à-vis the enterprise.

And our working capital cycles because of this reason are higher, for one. Number two, there has been some, I would say, because of the prevailing situation in the economy, where payments et cetera were a little delayed, even though there is no default that we are concerned about year-over-year, our net working capital cycle has gone up from about from 43 days to about 62 days.

Nagraj Chandrasekar: And it is also driven by a lot of IT companies, instead of buying hardware in bulk to place in their offices, instead giving their employees who are working from home, a sort of fixed sort of some more stipend and telling them to go ahead and buy certain pre sort of okayed pieces of hardware where in that sort of came in and the consumer sales instead of enterprise sales that would otherwise have. Is that also a factor? A lot of enterprise friends actually going through the consumer route through FY21?

Atul Mehta: Not really. When we say consumer, we talk about consumer class of products like laptops, printers et cetera. And when we say enterprise, we talk about enterprise class of products like network infrastructure, storage, software, security. So these are product classifications. And I do not think the buying pattern whether the corporate buys it, or whether the consumer buys it would have a significant impact on the working capital cycle of the business.

Nagraj Chandrasekar: Just a last question. How big was our enterprise business in 2020 and 2021 as a percentage of total sales?

Atul Mehta: So, our enterprise business in FY20 was about 40%. In FY21 it is at about 45%.

Moderator: Thank you. The next question is from the line of Raj from RR Securities. Please go ahead.

Raj: My question was basically during the year, our debt has gone up by about Rs. 100 odd crores. So, what is your plan going forward? Do we plan to take further debt? Or are we planning to reduce it and what would be our target debt to equity ratio for this year?

Atul Mehta: Yes, our debt has gone up this year short term by about Rs. 50 crores and long term by about Rs. 50 crores so total about Rs. 100 crores. It is primarily, I think two things have played a role out here. One is the inventory and receivables have gone up. Number two, we have ensured that we honor our commitments to our vendors and therefore our payables have gone down. So that is the reason of this debt going up to that extent.

Now moving forward, while it may not be possible to reduce the debt, I think one thing that I mentioned earlier also and I maintain that moving forward, we will look at growing with a balanced growth between equity and debt. And we will look at equity infusion so that the growth is not driven only on debt.

Now, we have not yet firmed up our plan because this is something that we will take a view from time to time. We want to ensure that we get the fund infusion at the right price so that the Company benefits out of it but that is definitely something on the cards.

Raj: Okay, any number that you would like to put on to the debt to equity ratio as a target?

Atul Mehta: The reason I am not able to put on a number at this point of time is because we have still not frozen the quantum of funds that we will be raising by way of equity and at what time it will come in so that is the reason I am not able to put our debt equity ratio. But one thing is very, very clear. Moving forward, the debt equity ratio will only improve. And that is one thing that we want to work toward.

Raj: Another question would be what is our cost of funds for this financial year FY21 vis-a-vis FY20? Did we see any reduction in cost of our funds overall?

Atul Mehta: Not really. The cost of funds, our model has remained the same.

Raj: And that would be?

Atul Mehta: Cost of funds varies, but our average cost of funds is in the region of about 10.5% to 11%.

Moderator: Thank you. The next question is from the line of Aditi Sawant from ADM Advisors. Please go ahead.

Aditi Sawant: I have two questions. First is could you give us segment wise revenue contribution for Q4 and FY21?. And the second is, what are the initiatives the Company has taken to reduce cost and are these sustainable?

Atul Mehta: So segment wise revenue I can share for the year. We have broken it into four businesses, the Consumer, Enterprise, Cloud and Hardware services. The consumer business would be approximately 54%, Enterprise would be at about 40%, Cloud would be at about 6%. And hardware services is at about 0.5%.

Aditi Sawant: And second is, what are the initiatives the Company has taken to reduce cost?

Atul Mehta: So in terms of cost, this was one area where it is been a tough call because these are not the times that we want to look at any short term knee jerk reactions. We did not want to ask any of our people to leave. But for whatever reasons wherever people were moving on to pursue other opportunities that was one area where we did not fill those positions. So that was one way of rationalizing on our employee cost.

Second is in terms of operations, supply chain management, in terms of market development expenses, all these areas where we really tightened the shoe strings. And while all of it is not sustainable, some of it is definitely sustainable. These are the other areas that we looked at.

Third, along in our operational expenses also I would also like to mention and thank a lot of our landlords / lessors. We have almost about 80, 85 premises that we lease out for our operations. So a lot of our landlords / lessors or leaseholds have come forward and supported with the reduction in rentals et cetera. So it has been several factors that have worked that would have helped us in reduction of these costs.

Moderator: Thank you. The next question is from the line of Nikhil Bhargav from Inrbonds.com. Please go ahead.

Nikhil Bhargav: Sir, I joined the call five minutes late, I am sorry if the question is repetitive in nature. I went through your presentation, and it says you are targeting around Rs. 7,000 crores revenue in the medium term and cloud computing being the next growth engine for your business. Can you just give me a highlight? Globally the cloud computing has been the growth engine for Microsoft or Amazon. So can you just tell me what is the market penetration if you have any fair in India? What is the penetrated market for cloud computing? And what do you expect the margins from this particular business going forward?

Atul Mehta: Thank you for your question. Cloud computing is of course known to everyone. The exact data is not available in India as to what is the market size. So I will not be able to share the market size. But it is a very rapidly growing segment. We are seeing that happening. For example, if I were to talk about Compuage, our cloud computing business year-over-year, which was at 2% of our revenue has now grown to about 6%. And we still have a very small play.

So we have just really started all the development activities on this front now. And I am very, very sure that as we move forward, we can very clearly say that we will be aiming at double digit as far as FY22 is concerned. So that is one thing.

Second is in terms of the margins, while it offers higher margins, this is a business where we still are in the investment mode. We need to make a lot of investments like we need to develop our own portal to support the partners, we need to have a lot of technical people to support the partners, we will need to bring a new set of salespeople to drive sales of these product lines to the partners, so that will balance off the higher margins that we make in this period of investment. But later on, I am sure as we achieve economies of scale and the infrastructure is in place, then it will be able to contribute for higher bottom line for the Company as well.

Nikhil Bhargav: Okay, so one last question. So under the cloud computing, we will be selling in under our company brand name only, right? Or we will be doing it under Microsoft, will we be selling in Microsoft Azure or something?

Atul Mehta: No, we are a pure distribution company. We do not plan to have any of our own products, we will be selling off all the brands directly. Like currently we have Microsoft as one of our major vendors in cloud computing space, we sell the entire Microsoft Cloud computing products Azure et cetera. Likewise, we have signed up with Acronis. We are in discussions with more brands. So, the way we sell hardware products, software products, we will sell cloud computing. We are not a product development company. So, we will ride on all the big brands in the cloud computing space.

Nikhil Bhargav: Sir, what actually makes a difference if I have to go to actually Microsoft Azure or I have to come through you, so would there be any difference? What you call any packaged that we will be receiving from you or the same or how does it work?

Atul Mehta: So, how it works is, let me first explain you the supply chain part. Microsoft bills to Compuage, Compuage bills to our partners and partners bills to a customer which could be you, your company or anyone. We do not sell to end customers directly. Our entire business is routed through partners only, B2B. And you may approach your system integrator, you may approach any of the system integrators in the market. Likewise, a system integrator has option to purchase from any of the distributors in the market. And the prices would be similar, you know, plus minus whatever little additional discounts we give, depending upon what kind of support we need to extend to the reseller. So, there is not much variation in the prices, and the product obviously is the same one.

Moderator: Thank you. The next question is from the line of Aasim Bharde from DAM Capital Advisors. Please go ahead.

Aasim Bharde: I just wanted a clarification. Your enterprise business is 40% of revenue in FY21. What was it in FY20?

Atul Mehta: FY21 our enterprise and cloud business both put together was at about 46%. Enterprise and cloud business in FY20 put together was at about 40%, 41%.

Moderator: Thank you. The next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Just a follow up to the prior question on Cloud. Now you haves signed up as a reseller of Asia Cloud and you will be competing for this. Who will be the typical customers that our partners will be selling to? Will it be extensively or completely SMBs? And apart from this, the cloud space resell, what other things would be sort of cross sell along with that? I see the Acronis tie-up for Cloud Security, but typically what all would you sort of cross sell?

And let us say you have a customer who you have sold X amount of cloud space, or cloud compute to in a year. Is that a recurring annuity revenue for you that grows along with that customer usage of Asia Cloud or how really does the economics work for us or is it a onetime fee sort of arrangement?

Atul Mehta: So now, there are resellers coming up. Earlier there were resellers selling network infrastructure, software, cloud etcetera. Then we saw resellers coming up specializing only in software products and selling cloud as well. Now, we also see resellers coming up who are focusing only on cloud based products and specializing in it and providing support to their set of customers. So there are a mixed set of customers that we are addressing.

Some who are servicing all the product categories, some who are only in software, and some who are only in cloud. Again, there are resellers who specialize only in one set of product lines, maybe security. Somebody could be doing in terms of storage, somebody could be doing in another area. We want to reach out to every possible system integrator or a reseller who is serving customers in the Azure space.

So our goal is to reach out to everybody, some could be standalone, some could be selling along with the other product categories. One other goal that we have set for Compuage this year, we have said that we want to become the largest distributor contact point for partners who are serving the MSME space. That is Micro Small Medium Enterprise space. That is the space if our partners are serving, let us say 5,000 partners are serving that space, we want to be the largest distributor in that space.

That means we want to have contact with all these partners, we want to engage with all these partners. So that is the goal that we are working with. And now how this works is this is typically an annuity business. Could be monthly, could be quarterly, could be annual depending upon what package the customer and the seller for the customer having signed up with us. And that is a recurring revenue basis the sign up. Of course, some products have exit clauses, some do not have exit clauses, it is typically how we enter into packages that are available with various vendors.

Nagraj Chandrasekar: And is there a certain grade of Azure reseller? They have categories like what category are we with Azure and just significant pricing differences across categories of Azure resellers that enable you to compete more on price to the end system integrator or customer. Just wanted to get a sense on that?

Atul Mehta: So, there are various categories of resellers. We can define them by their focus business, we can define them by their revenue, we can define by what customers they focus on. So there are various ways and these classifications differ from organization to organization. So we are indifferent. It is our goal and our job to reach out to every single system integrator, reseller in this business.

We have to engage with them and we have to try and get their business. There are three things or two things that differentiate with whom the reseller places the order on. One is, of course, the engagement relationship. Second is, what support they require from us. Some resellers do not require support, some require technical support. And third is, the price and credit we offer to them basis the extent of support that we need to extent to them.

So that is when the reseller or the system integrator decides to which distributor they would like to place the order. There is a small area that is the support and the credit which helps us determine what discount structure to offer. The price is fixed. That the gap is only on that additional discount of may be 0.5%, 1% or 2% that we would like to pass on. Whether we pass on or not, depends upon our commercial offerings to them.

Nagraj Chandrasekar: And what tier of Azure reseller would we be? Because there are tiers right? So is there a specific tier that we are in?

Atul Mehta: No, there are no tiers of resellers. There are no layering allowed in this business. So Compuage sells to one reseller and that reseller has to sell to an end customer only. So there are no layers. It is not that we sell to a larger reseller who sells to a smaller reseller and then it goes to the end consumer. So the resellers get defined by their size or the focus of their business or the focus of their customer but there are no layering as such.

Nagraj Chandrasekar: Just last question. You have Rs. 30 million sort of cloud revenues, now what do you think cloud penetration is within typically for us SMBs or slightly smaller corporates would be our sort of bread of butter? What sort of penetration do you think you are at now? I just want to get a sense of what the Rs. 30 million can get to size wise?

Atul Mehta: I am unable to answer the question because I am not sure on the market sizing on this segment at this point of time. The way India is low in penetration of hardware, likewise we are way behind the world in cloud penetration as well. All I can say, the potential is huge.

Moderator: Thank you. As there are no further questions from the participants, I now hand the Conference over to Mr. Atul Mehta for closing comments.

Atul Mehta: Thank you everybody for joining the call. I hope I have been able to answer most of your queries. In case of any further queries, you may contact SGA, our Investor Relations Partners. Thank you and stay safe and stay healthy.

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