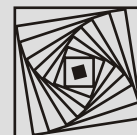




[www.compuageindia.com](http://www.compuageindia.com)

BOOK POST

# COMPUAGE INFOCOM LTD.



*SPEED  
RELIABILITY  
VALUE PERFORMANCE*



If undelivered Please return to :  
**COMPUAGE INFOCOM LTD.**

601, D-Wing, Lotus Corporate Park,  
Ram Mandir Lane, Near Jai Coach Junction, Western Express Highway,  
Goregaon (E), Mumbai - 400 063. INDIA.  
Tel : +91-22-6711 4444 Fax : +91-22-6729 7240  
E-mail : [info@compuageindia.com](mailto:info@compuageindia.com)

## 14<sup>th</sup> Annual Report

## 2012-13



## COMPUAGE INFOCOM LTD.

NOTICE IS HEREBY GIVEN THAT THE 14TH ANNUAL GENERAL MEETING OF THE MEMBERS OF COMPUAGE INFOCOM LIMITED WILL BE HELD ON SATURDAY, 7TH SEPTEMBER, 2013 AT 10.00 A.M AT VICTORIA MEMORIAL SCHOOL FOR BLIND TARDEO ROAD, OPP. FILM CENTRE, MUMBAI - 400 034 TO TRANSACT THE FOLLOWING BUSINESS:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2013 and the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a final Dividend on Equity shares of the Company.
3. To appoint a Director in place of Mr. Vijay Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s B.V Dalal & Co. (Registration No. 114214W), Chartered Accountant, as the Auditors and to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the company at such remuneration as may be determined by the Board of Directors.

Place: Mumbai  
Date 19th July, 2013

By Order of the Board of Directors  
For **Compuage Infocom Limited**

### Registered Office :

601, D-Wing, Lotus Corporate Park,  
Ram Mandir Lane, Near Jai Coach Junction,  
Western Express Highway, Goregaon (E),  
Mumbai - 400 063.

**Shilpa Singh**  
Company Secretary



## COMPUAGE INFOCOM LTD.

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. A proxy form duly completed and stamped, must reach the registered office of the company not less than 48 hours before Commencement of the Meeting.
3. Corporate members intending to send their authorized representative to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. Members who hold shares in dematerialized form are requested to write their client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
5. Members/Proxies/Representatives are requested to bring the enclosed Attendance Slip, duly filled in, for attending the Meeting.
6. The register of members and the share transfer books of the company will remain closed from 5th September, 2013 to 7th September, 2013 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
7. The Dividend for the year ended 31st March, 2013 as recommended by the Board, if approved by the Members at the Annual General Meeting will be paid within the prescribed time limit to those members whose names appear in the Company's Register of Members on 7th September, 2013. In Respect of Shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.
8. Members holding shares in physical form are requested to advise any change of address, bank details etc. immediately to the Company's Registrar and Share Transfer Agents, Link Intime India Private Limited.  
**LINK INTIME INDIA PRIVATE LIMITED,**  
C-13, Pannalal Silk Mills Compound, LBS Marg,  
Bhandup (West), Mumbai-400 078.
9. Members holding shares in electronic form are hereby informed that the bank particulars registered against their respective depository accounts will be used by the Company for the payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change in address, change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.



## COMPUAGE INFOCOM LTD.

10. Pursuant to the provision of section 205A and 205C of the Companies Act, 1956, the dividend which remains Unclaimed / Unpaid for a period of seven years from the date of transfer to the respective unpaid dividend accounts, is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Link Intime India Private Limited.
12. To promote green initiative as per circular issued by Ministry of Corporate Affairs in 2011, members are requested to register their e-mail addresses through their Depository Participants where they are holding their demat accounts for sending the future communications by e-mail. Members holding the shares in physical form may register their e-mail addresses through the RTA, giving reference of their Folio Number.
13. Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking re-appointment at the forthcoming Annual General Meeting is attached hereto.

### Information Required to be furnished under the listing Agreement :

As required under the Listing Agreement, the particular of the Directors who is proposed to be re-appointed is furnished below:

#### i) Item No. 3 of the Notice:

Name	: Mr. Vijay Agarwal
Date of Birth	: 29.06.1957
Date of Appointment	: 24.06.2006
Qualification	: Chartered Accountant

#### Expertise :

Mr. Vijay Agarwal is a Practicing Chartered Accountant for the last 27 years specialized in Corporate Advisory, Tax and Audit field. As an Independent Director & Chartered Accountant by Profession he has been adding immense value to the Group. He is a member of the Audit Committee and Share Transfer & Investor Grievance Committee of Compuage Infocom Limited. His holding in the company is NIL Shares.



## COMPUAGE INFOCOM LTD.

Details of Directorships and Committee Memberships in other Companies are detailed below:

Name of the Companies	Nature of Interest/Position held
1 Sparc Samudaya Nirman Sahayak (Section 25 Company)	Chairman
2 Themis Medicare Ltd.	Director & Member of Audit Committee
3 Sanskar Foundation (Section 25 Company)	Chairman
4 Gujarat Themis Biosyn Ltd.	Director & Member of Audit Committee
5 Triveni Sangam Estate Pvt. Ltd.	Director
6 Pramerica Trustees Pvt. Ltd.	Director
7 Long Island Nutritionals Private Limited	Additional Director
8 Tips Industries Limited	Additional Director

Place: Mumbai  
Date: 19th July, 2013

By Order of the Board of Directors  
For Compuage Infocom Limited

### Registered Office:

601, D-Wing, Lotus Corporate Park,  
Ram Mandir Lane, Near Jai Coach Junction,  
Western Express Highway, Goregaon (E),  
Mumbai - 400 063.

Shilpa Singh  
Company Secretary

**DIRECTOR'S REPORT**

Dear Shareholders,

The Board of Directors has pleasure in presenting the Audited Financial Statements for the year ended 31st March 2013.

**FINANCIAL HIGHLIGHTS:**

The highlights of the Financial Results are:

(Rs. In Lakhs)

Particulars	Consolidated		Standalone	
	Current Year 2012-13	Previous Year 2011-12	Current Year 2012-13	Previous Year 2011-12
Revenue from Operation & Other Income	196140.12	159775.89	190505.05	155112.63
Profit before Interest, Taxation & Depreciation	4164.61	3654.94	4143.78	3582.76
Less: Interest	2665.15	1922.04	2651.69	1895.67
Less: Depreciation	279.72	180.65	276.94	167.44
Profit before Tax	1219.74	1552.25	1,215.15	1,519.65
Less: Provision for taxation	400.78	523.85	400.79	498.88
<b>Profit after Tax Provision</b>	<b>818.96</b>	<b>1028.40</b>	<b>814.36</b>	<b>1,020.77</b>
Balance brought forward	2990.77	2116.08	3039.35	2173.78
<b>Amount available for Appropriation : Dividend</b>	<b>3809.73</b>	<b>3144.48</b>	<b>3853.71</b>	<b>3,194.55</b>
Interim Dividend	-	66.55	-	66.55
Proposed Dividend	66.55	66.55	66.55	66.55
Dividend Distribution Tax	10.80	22.10	10.80	22.10
Less: Unrealised Profit	0.79	4.83	-	-
Less: Foreign currency translation Reserve	2.99	-	-	-
Less: Minority Interest	-	1.53	-	-
Balance Carried to Balance Sheet	3728.60	2982.92	3776.36	3,039.35

**Business Performance:**

The year gone by has been a mixed bag. The Company's registered revenue of Rs. 190505.05 Lacs as against Rs. 155112.63 Lacs in the previous year, registering a growth of 22.82%. The Company's consolidated revenue has grown to Rs. 196140.12 Lacs as against Rs. 159775.89 Lacs in the previous year, registering a growth of 22.76%.



While the revenue has grown, Profit after Tax has gone down. The Net Profit after Tax stood at Rs. 814.36 Lacs as against Rs. 1020.77 Lacs in the previous year. The Consolidated Profit after Tax stood at Rs. 818.96 Lacs as against Rs. 1028.40 Lacs in the previous year.

**Dividend :**

The Board of Directors has recommend a final dividend of Re. 1.00/- (One Rupee) per share for the year ended 31st March, 2013 which is (10%) on face value of Rs.10/- (Rupees Ten only) each, subject to the approval of members at the ensuing Annual General Meeting.

**Future Outlook :**

The Future outlook of the company is very promising. The Company operates in high growth rate IT industry. With IT penetration still below double digit, shall continue to grow, offering immense opportunities to Compugame. Further, with Compugame's entry into the telecom products distribution, it will give further boost to the company. With smart phones expected to have rapid growth over the next 5 years, Compugame is well positioned to benefit from the same. With growth in revenue, it will optimize its utilisation of its infrastructure and resources, thereby growing the company's profitability as well.

**Listing Of Securities:**

The Company's equity shares are listed on BSE Limited (BSE) and Madras Stock Exchange Limited (MSE).

\* Pursuant to the agreement (MSE) Madras Stock Exchange Limited had entered into with (NSE) National Stock Exchange of India Limited, proviso (i) to section 13 of the Securities Contracts (Regulations) Act, 1956, the securities of the Company have been allowed for dealings on the National Stock Exchange (Capital Market Segment) with effect from 1st October, 2010 which was informed to us by MSE vide its letter dated 30th September, 2010.

**SUBSIDIARY COMPANY:**

1. Compugame Infocom (S) Pte. Ltd :

During the year Company continued to hold it's holding in Compugame Infocom (S) Pte. Ltd. a wholly owned subsidiary of the company which was formed to expand the company's business operation in SAARC Countries.

The Company has been granted exemption by the Ministry of Corporate Affairs from attaching to its Balance sheet, the Individual Annual Reports of its subsidiary Companies vide its General Circular No: 2/2011 and General Circular No: 3/2011 dated Feb 8, 2011 and Feb 21, 2011 respectively. As per the terms of the Circular, a statement containing the brief financial details of the Companies Subsidiaries for the year ended March 31, 2013 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company/ its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company/its subsidiaries at the registered office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the Registered Offices of the respective subsidiary Companies.

**Disinvestment:**

To focus on its core business of distribution, the company disinvested its complete holding in Greenvision Technologies Private Limited and Adit E-commerce Private Limited.

**Information Technology:**

Compuage continues to upgrade its IT infrastructure and has a solid backbone to support the business.

**Internal Audit:**

Compuage has further strengthened its internal audit team. This team monitors the entire business operations constantly from its centralized database in Mumbai. It reports directly to the Audit Committee which is chaired by a Non Executive Director.

**Directors:**

Your Company has Five Directors including Three Independent Directors in consonance with Corporate Governance norm specified in the Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year, no director has been appointed or resigned from the Board of Directors of the Company.

Mr. Vijay Agarwal retires by rotation from the Board in the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment at the said Annual General Meeting.

**Auditors:**

M/s. B.V.Dalal & Co., Chartered Accountants, statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from the retiring Auditor to the effect that their appointment as statutory Auditor, if made, will be within the limit prescribed under Section 224(1B) of the Companies Act, 1956.

**AUDITORS' REPORT**

The report of the Auditor and notes forming part of Accounts are attached along with the Annual Report. There is no qualification in the Audit report and Notes are self explanatory.

**Fixed Deposit:**

The Company has accepted the Fixed Deposits and complied the provisions of Section 58A of the Companies Act, 1956 and rule thereon.

**Depository System:**

The Company has entered into an agreement with the National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in dematerialized form. The Company also offers simultaneous dematerialisation of the physical shares lodged for transfer.

**Status of Dematerialisation of Shares:**

NSDL and CDSL have allotted ISIN No. INE070C01029 for compulsorily Dematerialization of Shares.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

- That in preparation of the Annual Accounts for the year ended 31st March, 2013, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- That the directors had selected such accounting policies and applied consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2013 and the profit of the Company for the year under review;
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the annual accounts for the year ended 31st March, 2013 have been prepared on a 'going concern basis'.

**Corporate Governance:**

As required by Clause 49 of the Listing Agreement, a separate Report on Corporate Governance forms part of the Annual Report. A certificate from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance forms part of this report.

**Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo:**

- The particulars relating to conservation of energy and techniques are not relevant to the Company since the Company is not engaged in any manufacturing activities and hence there is not much scope and concern to this matter for the company to take any meaningful action.

**B. Earning in Foreign Exchange:**

Mercantile Trade as on 31st March, 2013 is Rs. 6891.20 Lacs (Previous year- NIL).

The payment of foreign exchange outgoes are as under:

- Valuation of Imports calculated on C.I.F. basis for one year period ended 31st March, 2013 is Rs.35,353 Lacs. (Rs. 31,244.10 Lacs in previous year)
- Expenditure in Foreign currency: (Rs. in Lacs) (Current Year) (Previous Year)

Travelling	19.77	1.98
Interest	NIL	NIL



## Disclosure under Section 274 (1) (g)

None of the Directors of the Company are disqualified from being appointed as directors as specified u/s 274(1) (g) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1956.

## Particulars of Employee:

Statement of Particulars of Employees under Section 217 2(A) for the period ended 31st March, 2013.

Name (Age)	Designation, Nature of duties & Date of commencement of Employment	Qualification / Experience	Gross Remuneration Rs.	Last Employment Designation / / Name of Company
*Atul H. Mehta (51)	Chairman & Managing Director, Specialized in Finance & Strategic Planning (16.06.2000)	MBA - U.S.A (25)	1,20,00,000 (w.e.f 08.09.2011)	Compugame Electronics Ltd. Chairman & Managing Director
*Bhavesh H. Mehta (38)	Whole-time Director, Specialized in Imports & Logistics (18.10.2000)	M.Com (18)	1,20,00,000 (w.e.f 18.10.2011)	Compugame Electronics Ltd. Director

Note:

- \* 1. Nature of employment is contractual.
2. The above amounts does not include provision of gratuity and leave encashment.

## Human Resources:

Our Company believes that people and their experience are our biggest assets. Their experience, efforts and dedication are the primary reasons for our consistent growth over the years. In a business model where people are the growth drivers, we are endowed with one of the best talent pool in the industry. We empower our employees at all stages of their careers and provide opportunities to enable them to excel in their individual capacities. We have created an exciting work environment that values individual contribution and helps gain a sense of satisfaction and accomplishment.

We believe in developing the potential of each employee and aid his/her growth as an individual and a professional. We believe this will enhance our prospects and ensure faster growth of our Company. In view of this we have laid down a comprehensive set of policies aiming at attracting, retaining and motivating employees.

We believe in training our employees and keeping them abreast on the developments in the industry. To this effect, we have undertaken onsite and offsite training programs for our employees. The main focus area for conducting training programmes is team building and to change the attitude of the people towards work and to encourage the employees to come up with innovative ideas.

The development and use of human potential and a learning organization is our bridge to continued success in the future.



## Consolidated Financial Statements:

As stipulated by clause 32 of the Listing Agreement with the Stock Exchange, the consolidated financial statement have been prepared by the company in accordance with the applicable accounting standards issued by The Institute of Chartered Accountants of India. The audited consolidated financial statement together with the Auditors' Report form part of the Annual Report.

The Consolidated Net Worth of the company and its subsidiary as on 31st March, 2013 is Rs. 59.80 Cr.

The Consolidated Net Profit of the company and its subsidiary amounted to Rs. 818.96 Lacs for the financial year ended 31st March, 2013.

## Acknowledgements:

Your Directors takes this opportunity to express their deep sense of gratitude to the shareholders, employees, customers, vendors, banks for the support and faith reposed in the company. We also thank the Central and State Government and their department and local authorities for their continued guidance and support.

We also like to place on record our sincere appreciation for the commitment, dedication and hard work put in by every member of Compugame Family across the world.

Place: Mumbai

Date: 29th May, 2013

For and on behalf of the Board of Directors  
For **Compugame Infocom Limited**

## Registered Office:

601, D-wing, Lotus Corporate Park,  
Ram Mandir Lane, Near Jai Coach Junction,  
Western Express Highway,  
Goregaon (E), Mumbai - 400063

**Atul H. Mehta**  
Chairman and Managing Director



**MANAGEMENT'S DISCUSSION AND ANALYSIS****Overview****Forward-Looking Statements**

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements, based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

**Economic Overview:**

Economic activity in India continued to moderate during fiscal 2013. Global economic conditions also remained weak with slowdown in growth in developed and emerging economies. India's gross domestic product (GDP) grew by 5.0% during the first nine months of fiscal 2013 compared to a growth of 6.6% in the corresponding period of fiscal 2012. The services sector grew by 6.7% during the first nine months of fiscal 2013 compared to 8.5% during the first nine months of fiscal 2012. The industrial sector grew by 3.2% and agriculture sector by 4.0% during the first nine months of fiscal 2013 compared to a growth of 4.0% and 4.3% respectively in the corresponding period of fiscal 2012. Average inflation for fiscal 2013 was 7.3% compared to 8.9% in fiscal 2012.

According to CRISIL, India's economic growth is expected to accelerate to 6.7 percent in 2013-14 from the projected rate of 5.5 percent in the current financial year on a revival in consumption. A pick-up in agriculture, predicated on a normal monsoon, lower interest rates and higher government spending will support private consumption demand. India's GDP growth in 2013-14 will be supported by the revival of the private sector consumption growth aided by higher growth in agriculture, high government spending and lower interest rates. Core inflation is expected to come down to 7 percent in the financial year beginning April 1, 2013, as against the projected inflation of 7.7 percent in 2012-13. Increased welfare expenditure by the government, lower interest rates, moderation in inflation, and high farm incomes (assuming a normal monsoon) will boost household spending and, thereby, benefit sectors such as consumer durables, hotels and restaurants and financial services. Further, Improved external demand, as a result of marginal recovery of global growth, could raise India's exports, especially in the IT and IT-enabled services sector. We, therefore, expect the services sector to remain healthy at 8 percent in the next fiscal.

**Industry outlook:**

The IT distribution industry in India has evolved rapidly over the past decade. It has undergone major transformation during this period with regard to the number of Products, Distributors, Resellers, Channel Partners and Vendor Expectations. The IT distribution industry is witnessing growth propelled by investment in the IT and ITES sector, growing need for automation and information technology across all industries, increase in communication and computing infrastructure spending and increased internet usage in India. Strong economic growth, rapid advancement in technology infrastructure, increasingly competitive Indian organizations, and enhanced government focus are key drivers for increased technology adoption in India.

IT distributors play the important role of providing supply chain services that facilitate the movement of technological products, solutions and after sales services from the vendors of the product to the end users of these products. These products include Personal Computers, Notebooks, Servers, Printers, and Personal Computer Components, Networking Products, Software Products, their licenses, Storage Products, Power Solutions or Mobile Devices. These solutions are based on integration of multiple products / technologies from multiple manufacturers and includes services in the form of installation / configuration or customization to cater to the varying needs of the customers. The after sales services comprise of installation, warranty support, post warranty support, maintenance contract, and reverse logistics activities etc.

The Indian IT and ITES industry has continued to perform its role as the most consistent growth driver for the economy. Service, software exports and BPO remain the mainstay of the sector. Over the last five years, the IT and ITES industry has grown at a remarkable pace. The growth of all the IT-ITeS firms including mid-sized firms would depend on the global economic scenario and IT spending in the major markets of North America and Europe in 2013. As per the government in the National Policy on Information Technology (NPIT) 2012 envisages increasing IT industry revenues, through exports as well as the domestic market, from \$100 billion to \$300 billion by 2020.

**Future Outlook**

The Future outlook of the company is very promising. The Company operates in high growth rate IT industry. With IT penetration still below double digit, shall continue to grow, offering immense opportunities to Compuage. Further, with Compuage's entry into the telecom products distribution, it will give further boost to the company. With smart phones expected to have rapid growth over the next 5 years, Compuage is well positioned to benefit from the same. With growth in revenue, it will optimize its utilisation of its infrastructure and resources, thereby growing the company's profitability as well.

**Operational Performance:**

The year gone by has been a mixed bag. The Company's registered revenue of Rs. 190505.05 Lacs as against Rs. 155112.63 Lacs in the previous year, registering a growth of 22.82%. The Company's consolidated revenue has grown to Rs. 196140.12 Lacs as against Rs. 159775.89 Lacs in the previous year, registering a growth of 22.76%.



While the revenue has grown, Profit after Tax has gone down. The Net Profit after Tax stood at Rs. 814.36 Lacs as against Rs. 1020.77 Lacs in the previous year. The Consolidated Profit after Tax stood at Rs. 818.96 Lacs as against Rs. 1028.40 Lacs in the previous year.

### Landmark Events:

In the year gone by Compuage has continued to invest in infrastructure, reach and product portfolio all of which shall enable the company to continue its growth. New products signups include ADC Krone - Passive Networking Products, Asus - Notebooks, Cisco - Networking Products, Edifier - Speakers, Foxconn - Motherboards, HP PCs, and Toshiba - Flash Products.

### SWOT Analysis

#### Strengths :

- The company has over 25 years of existence in Indian market and has posted sales growth of 22.01% CAGR over 3 yr
- It has well established distribution network across the country
- It has presence in all 27 states of country with integrated ERP system
- The Company has highly motivated sales team
- The Company enjoys extremely good credibility in the industry

#### Weakness :

- The Company has high finance cost
- Its presence is primarily limited to Indian market
- It is operating in low margin industry

#### Opportunities :

- Domestic IT hardware industry is expected to have double digit growth
- The rapidly growing telecom industry offers huge opportunities
- It is serving SAARC countries through its Singapore Subsidiary

#### Threats :

- Global IT distribution companies may enter Indian Market
- Fierce competition may lead to margin reduction



### RISKS AND CONCERNS

#### 1. Interest Rate Fluctuations Risk:

The nature of business in which our Company is involved requires large amount of Working Capital. Our Company has sourced working capital facilities from various banks. Any change in the interest rates could significantly affect our financial condition and results of operations. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. Any down grading in India's debt rating by the International agencies may adversely affect our ability to raise requisite finances at reasonable costs. This may adversely impact our results of operations, planned capital expenditures and cash flows.

#### 2. Risks Due To Company dependence on the Information Technology Industry and any radical change or downturn may have an impact on our business.

Our revenue is predominantly derived from the sale of IT hardware products. The industry is highly fragmented in nature and competitive. In case of any downturn in this industry, or if the demand does not keep in pace with the supply build-up in the industry, our business operations may be adversely affected. Further, if we are unable to maintain an upgraded supply of new technological developments in our industry, it may adversely affect our sales revenue and impact our business.

#### 3. Risks relating to Supply Chain Management, any break down in the Supply Chain could affect our operations adversely.

Supply Chain Management plays a very vital role in our business. A strong supply chain system is essential to ensure availability of stock at the branch. Ensuring shelf availability for our products warrants quick turnaround time and high level of coordination with suppliers. We rely on our supply chain and adopt operational processes to optimize our inventory position and reduce cost. We strive to keep optimum inventory at our branches and distribution centres to control our working capital requirements. We have set up distribution centres for efficient storage and timely delivery of material to our channel partners. This helps us to minimize lead time and better utilization of working capital. An inefficient supply chain management could adversely affect the results from operations.

#### 4. A slowdown in economic growth in India could cause our business to suffer.

Our performance and growth are dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy may adversely impact our business and financial performance.





### 5. Government Policies and Regulation.

The role of the Indian central and state governments in the Indian economy has remained significant over the years. Change in the government policy and regulations in the manner adverse to the company, may have a material impact on the profitability of the company.

### Risk Management

The Company has established a well defined process of risk management, wherein the identification, analysis and assessment of various risks, measuring the probable impacts of such risks, formulation of risk mitigation strategy and implementation of the same takes place in a structured manner. The company has identified and categorized risks in the areas of Operations, Finance & Marketing, Regulatory Compliances and Corporate matter. Necessary internal control systems have also been put in place by the company on various activities across the Board to minimize the impact of various risks. A well defined and established system of internal audit is also in place to independently review and strengthen these control measures. The Audit committee of the company regularly reviews the report of the internal Auditors and recommends actions for further improvement of the internal controls and remedy for any weakness in the system.

### Internal Controls:

Compugame's well defined organization structure, policy guidelines, predefined authority levels, and an extensive system of internal controls ensure optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations.

- Compugame has adequate system of internal control in place to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly.
- Compugame's internal audit function is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with laws, regulations & policies, plans and statutory requirements.
- Compugame has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an ongoing basis.
- Compugame's Audit Committee of the Board reviews the findings and recommendations of the internal auditor.

The system is improved and modified continuously to meet changes in business conditions, statutory and accounting requirements.



### Human Resources:

Our Company believes that people and their experience are our biggest assets. Their experience, efforts and dedication are the primary reasons for our consistent growth over the years. In a business model where people are the growth drivers, we are endowed with one of the best talent pool in the industry. We empower our employees at all stages of their careers and provide opportunities to enable them to excel in their individual capacities. We have created an exciting work environment that values individual contribution and helps gain a sense of satisfaction and accomplishment.

We believe in developing the potential of each employee and aid his growth as an individual and a professional. We believe this will enhance our prospects and ensure faster growth of our Company. In view of this we have laid down a comprehensive set of policies aiming at attracting, retaining and motivating employees

We believe in training our employees and keeping them abreast on the developments in the industry. To this effect, we have undertaken onsite and offsite training programs for our employees. The main focus area for conducting training programmes is team building and to change the attitude of the people towards work and to encourage the employees to come up with innovative ideas.

The development and use of human potential and a learning organization is our bridge to continued success in the future.

### Disclaimer:

This "Management Discussion and Analysis" may contain what may be considered as "forward looking statements". These statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance, or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify, or revise any forward-looking statements, on the basis of any subsequent developments, information, or events.



## CORPORATE GOVERNANCE REPORT

The report on Corporate Governance in compliance with clause 49 of the Listing Agreement with the Stock Exchanges is as follows:

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The underlying principles of Corporate Governance are the values, ethics and commitments to follow best business practices. Thus, it rests upon the foundations of transparency, disclosures and fairness in dealing with its stakeholders.

It is about demonstrating high level of integrity, transparency, accountability and disclosures across the Company's operations and in its interaction with its stakeholders, including shareholders, customers, employees, the government, lenders and the society. Our endeavor is not merely to comply with regulatory & statutory requirements, but to follow the governance code in spirit. Your Company practices a culture that is built on core values and ethics. The Corporate Governance philosophy of the Company is driven by the following fundamental principles:

1. Conduct the affairs of the Company in an ethical manner
2. Ensure transparency in all our dealings
3. Ensure highest level of responsibility and accountability
4. Ensure Compliance with all laws and regulations as applicable
5. Ensure timely dissemination of all price sensitive information

The Corporate Governance philosophy has been scripted as under:

"As a good corporate Citizen, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving way for its long term success."

We have made conscious efforts to institutionalize Corporate Governance practices and we believe that it shall go beyond adherence to the regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy. We will continuously endeavor to take forward the best practices to enhance stakeholders' value.

### CORPORATE GOVERNANCE

Your Company believes in adopting the best corporate governance practices and protecting rights and interest of stakeholders. We further believe that the shareholders have the right to know complete information of the Board of Directors and the management, their interest in the organization as well as governance practice to be followed by them.

The report on corporate governance is divided into five parts:

- I. Board of Directors
- II. Committees of the Board
- III. Disclosures
- IV. Means of Communication
- V. Shareholders Information



## I. BOARD OF DIRECTORS

The Corporate Governance principles of the Company ensure that the Board remains informed, independent and involved in the Company and that there are ongoing efforts towards better Corporate Governance to mitigate "non business" risks. Directors possess the highest personal and professional ethics, integrity and values and are committed to representing the long term interest of the stakeholders. The Company's business is conducted by its employees under the direction of the Chairman and Managing Director and Whole-time Director and the overall supervision of the board.

The Board of Directors of the Company has appropriate composition of Executive and Non-Executive Directors including Independent Directors. The Board of Directors through their active participation ensures that the discussions and decisions on the policy matters are taken after due deliberation and in consonance with the good corporate governance practices.

Name of Director	Executive/Non Executive
Mr. Atul Mehta	Executive
Mr. Bhavesh Mehta	Executive
Mr. G.S.Ganesh	Non Executive Independent
Mr. Vijay Agarwal	Non Executive Independent
Ms. Preeti Trivedi	Non Executive Independent

The Board of Directors of the Company has an optimum combination of Executive and Non Executive Directors. Sixty Percent of the Directors are Independent Non Executive Directors on the Board. Hence the composition of the Board of Directors is well within the norms of Corporate Governance.

The details of the Board of directors of the Company are given below:

Name of Director	Designation	No. of Directorship in other Public Ltd. Companies	Other Companies Committee's	
			Membership	Chairmanship
Mr. Atul Mehta	Promoter, Chairman & Managing Director	2	Nil	Nil
Mr. Bhavesh Mehta	Promoter, Whole-time Director and Chief Operating Officer	2	Nil	Nil
Mr. G.S.Ganesh	Non-Executive Independent	Nil	Nil	Nil
Mr. Vijay Agarwal	Non-Executive Independent	3	2	2
Ms. Preeti Trivedi	Non-Executive Independent	Nil	Nil	Nil