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Compucom Software expects 20-30% topline growth this year

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In an interview with CNBC-TV18, Surendra Kumar Surana, MD, [Compucom Software](#), spoke about the latest happenings in his company and sector.

Here is the verbatim transcript of his interview with CNBC-TV18's [Sonia Shenoy](#) and [Reema Tendulkar](#). Also watch the accompanying video.



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Q: Could you just highlight exactly what this pre-school segment would be, this foray? What sort of model you have and the amount of schools which you would be venturing into in the next three-four months?

A: We have entered into the pre-school business recently, looking at the vast potential, it's almost Rs 5,000 crore to Rs 10,000 crore market, which is still untapped in the organised sector, looking at that vast opportunity.

We have been an education company for last seven-eight years, we are doing the ICT school projects. So, we gained all this experience and then we thought of starting the pre-schools. We have already launched four pre-schools and signed up 55, which we will be opening in next three-four months.

Q: What sort of model do you currently have for it, like it is a franchise model so what sort of revenue sharing model would you share with the franchisees?

A: It will be a franchise model. Depending on the franchise fee, he or she will be paying, we will have a revenue share of either 20% or 25%. So, most of the people who are signing up is going for the 25% model, so our share will be around 25%.

Q: Tell us little more about what this would really do in terms of changing your revenue profile? This entire pre-school business has gained a lot of popularity; we have many businesses, many other companies getting into this business, which has a growth of almost about 25% to 30% that's expected on an annual basis. What kind of an investment have you put into this in terms of what that would lead to as a revenue profile and how it would change it for you? Even these pre-school that you just launched in the month of August, I think three-four pre-schools, when would all of these start to show up in your revenue stream?

A: They will start to show up in another next three-four months because if you start something new, there is a gestation period. It will start to show up within three-four months.

We have made it completely IT based and affordable and targeting the rural market and small towns where the branded pre-schools are still untapped. So, there in around Rs 4 lakh investment an entrepreneur is able to open a pre-school and he is able to get a very good return out of that.

Q: Will it be as higher margin business as your current business is because in FY10 you sat on a margin of about 53% or so? What kind of margins would this pre-school business give you? On the topline as well, how much of a growth are you expecting?

A: We will have a net margin of around 18% to 19% on this. The one you are talking about that is the earnings before interest, taxes, depreciation and amortisation (EBITDA) margin because ICT business is a capital intensive, if you put depreciation and everything then that EBITDA margin will be also comparable.

Q: What would that do to your topline then? How would you grow that? You had about Rs 63 crore in FY10 on a consolidated basis, how much do you think you can grow in FY11?

A: We are expecting 20% to 30% growth.

Q: Can you just give us a bit of an update on the amount of ICT schools under your coverage right now?

A: We have around 5,300 schools, government schools under ICT coverage. We are actively seeking to increase that and you will see more schools adding up shortly.

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