

Transcript

Conference Call of Repro India Limited

Event Date / Time : 7th November 2012, 16:00 PM IST
 Event Duration : 31 min 55 sec

Presentation Session

Moderator: Good evening ladies and gentlemen. I am Moumita, moderator for this conference. Welcome to the conference call of Repro India Limited. We have with us today, Mr. Mukesh Dhruve, Executive Director of Repro India Limited. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Mukesh Dhruve. Please go ahead, sir.

Mukesh Dhruve: Good evening, all our stakeholders, ladies and gentlemen, and all my good friends. Welcome back to the concall of Repro India Limited. I had mailed the results to most of you and I am sure all you must have had a look at the results, but just a quick summary, this has been one of the very good quarters for Repro India Limited. It has been the best quarter in the sense where Repro has touched the top line of 100 crores. There has been a growth for the quarter by 21%, from 83 crores to 100 crores. The operating margins of EBITDA has grown by 23%, from 13.98 crores to 17.16 crores and PBT has grown really substantially by 28%, from 8.40 crores to 10.84 crores. Overall, the quarter has been very, very good in terms growth that we were expecting and it has done very, very well for Repro. Basically the domestic business has remained more or less at the same level that they were there in previous quarter of 31 crores, but export has grown by 33%, from 52 crores it has gone to almost close to 70 crores and the ratio between domestic and export is 31:69, 31% has been domestic business and 69% has been export business for the quarter. As you can see for the first half, we have also grown again by 21% revenue from 150 crores to almost 195 crores; 17% growth in the operating profits from 20.32 crores to 33.16 crores and 21% growth in PBT, which is 16.96 crores to 25.56 crores. One of the key things and important thing is that Repro has added a lot of new countries, especially we have received orders from the African countries, which are the French speaking countries of Africa and we have received orders from those areas. We got government orders in Mozambique as well as we have just executed US-aided projects in Afghanistan also and before the project ended we bagged one of the single largest contract from a West African government for printing 20 million books. We have installed Kodak Prosper machine which has been fully operational and we have started doing contract for the World Bank. We are in the process of enhancing our digital business which is in good demand and we are the first person in India to import Kodak Prosper which is basically for the digital business. Repro India has moved into a new corporate office, which is in Lower Parel just opposite HDFC Bank on the famous area known as the Kamala Mills Compound and we are quite close to that. We have three floors here on which one floor is dedicated to marketing and the finance, one floor for the board and on the top floor we are going to set up, rather we have already set up operations from where all the three



plants of Repro India, whether it is Chennai, whether it is New Bombay or whether it is Surat (SEZ), all are being controlled from one floor. We have also created a huge digital warehouse where all the books and IPR of all the publishers can be saved very easily. The advantage of this central place is that from the one place we can actually do all the business work and that can be shared to any other plant where we do the printing, entire planning and editing can be done in one place.

The Chennai unit, which Repro has taken over last year from MacMillan is doing very well. It has been a wonderful quarter and the first six months has been exactly as per we had expected and we see a good year happening further. There have been certain questions, which I have been asked and I said I will clarify in the beginning. Three things that people were wondering was the forex exchange loss for the February quarter. I would clarify that there is no foreign exchange loss for the quarter basically. Again, this is basically an accounting entry that in the quarter, during the course of the month, as and when you realize your sales realization and whatever sales you are doing, you realize a particular rate, what happens is, as per the accounting policies we are supposed to account at the end of the month. Just to give an example, if during month if we have realized sales at Rs 50 but USD closing rate is Rs 54 then the difference of Rs 4 has to be shown as a notional loss..

I look forward to your questions. Please go ahead.

Question and Answer Session

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing the # key.

The first question comes from, Kumar Shah. He is an Individual Investor. Please go ahead.

Kumar Shah: Hello. Good evening Mukesh bhai.

Mukesh Dhruve: Yeah, sir. Good evening.

Kumar Shah: At the outset, again, as I have said last time, last quarter result also, many, many congratulations to you and your dynamic, efficient, whatever adjective you can put, the best team, which is looking after Repro and I think you will continue to do well and I must again once again congratulate you and the whole team of Repro for moving forward in such a difficult situation. It requires lot of guts and planning and whatever you call it, management skill, to sustain in the present state of economy, which you know very well, that it is not very conducive. All the same, again hearty congratulations Mukesh bhai. Now, I have got a very small question. How about the receivable period? Has it come down?

Mukesh Dhruve: Yes. The receivable period in fact for the current quarter has gone up from 117, it is going to 129 days and one of the key reasons for this is Q2 is very heavy market for West Africa education and most of our exports have happened in Q2 and most of the publishers out there get a credit of almost 127 to 130 days so all



those receivables will now be coming in this quarter so for this quarter we will come down to close to about 100 to 110 days.

Kumar Shah: And what about the inventory level, what is the number of days' stock we are holding and all those things? Has there been really a significant change compared to previous quarter?

Mukesh Dhruve: No, significant change. The number of raw material base is just 15 days and the finished goods are just seven days. So, days, they are quite under control because in this industry normally finished goods of between 5 to 7 to 10 is a normal process. Raw material most of the companies have got 30 days, we are down to 15 days.

Kumar Shah: And... sorry, please

Mukesh Dhruve: Quite under control, no issues in that front.

Kumar Shah: Yes. And at the present level, we hope to continue the same trend so far as the revenue and profitability and cost saving, everything is concerned. For the next two quarters also you are expecting the same rate or you expect any major changes in that?

Mukesh Dhruve: I think, as you know, we do not give any forward looking statement or future projections; however, I would say that we definitely will be growing at the level what we have been growing. We have been growing at a steady pace and I think that should continue. I do not see any problem in those areas. The order book particularly is very good as of now and the next six months will be more exciting than the previous six for sure.

Kumar Shah: Are we exploring any new countries for exports?

Mukesh Dhruve: Yes, we are definitely exploring new countries. We are in about 22 countries in Africa. Africa, as you know, has got close to 56 countries, out of 6 countries you cannot go like countries like Egypt, Libya and certain parts of Congo you cannot go, so there are six to seven countries. All the other countries are available and open as a market to Repro India, but right now we are exploring and we are looking at newer countries.

Kumar Shah: I think that is all Mukesh bhai. Again, once again, wish you and your team a great success and a brighter future for Repro, so that Repro can progress as well as we as investors also benefit. Thank you very much Mukesh bhai for all the things, wish you all the best.

Mukesh Dhruve: Thank you so much Mr. Shah.

Moderator: The next question comes from Dinesh Shah from Sai Investment. Go ahead please.

Dinesh Shah: Hello? Mukesh sir?

Mukesh Dhruve: Yes, Dinesh bhai.



Dinesh Shah: It is about other expenses, this time also it has been raised, last quarter you had told that it was due to some discounts and traveling involved. Why this quarter also other expenses are more?

Mukesh Dhruve: There are three or four items, which have...again; one of the key thing is traveling. As you notice, the export is almost now 69% and you will appreciate that in export business the fact that internet and mobiles and everything else used for travelling to meet the customers, so travelling has been a major expense here. The second head would be the power and fuel cost. The power and fuel cost has gone up and so that is the second head for increased expenses. The third thing is because our export has grown substantially, our commission agents who are located in all these countries use to facilitate our business; these have increased also in the export commission.

Dinesh Shah: Last quarter you had told that commission will not come in this quarter.

Mukesh Dhruve: No, I have never said commission is not coming this quarter.

Dinesh Shah: Okay and one thing regarding foreign exchange loans I wanted just a clarification. Suppose, in six months it was negligible in this six months because it has been 12 point something and so if that would have not be effected to so our EPF would have been 26 rupees, is that correct?

Mukesh Dhruve: EPF would have been?

Dinesh Shah: 26 rupees.

Mukesh Dhruve: Yes, that is correct.

Dinesh Shah: That is correct. So, so much loss we are having between these foreign exchange loss.

Mukesh Dhruve: No, but, again, as I explained, this is not cash loss, it is a notional loss, which I explained that our sales are realized at Rs 49 of 50. On the last date maybe for Rs.54 or Rs.55 my sale will come at Rs.54 or Rs.55. So the increased sale by Rs.4, so that Rs.4 is an increase I must show in the notional loss. It is not a physical loss that is represented.

Dinesh Shah: Okay, sir. One thing, we have got good sales of 97 crores and the material cost is almost the same as previous quarter. Last quarter it was 80 crores sales and 20 crores raw material, how much, sir...?

Mukesh Dhruve: It is the same.

Dinesh Shah: So, we are not using much of the material?

Mukesh Dhruve: Last time it was 80 crores and cost of raw material was 40 crores.



Dinesh Shah: Yes, this time 42 crores.

Mukesh Dhruve: This time it has come down to 42 crores.

Dinesh Shah: So, margin has been increased it means, no?

Mukesh Dhruve: No, it has decreased; the raw material cost has decreased if you see. Last year it was 50% and now it is less. If you see 42 crores for 97 crores, so that comes out in percentage goes over 43, so the cost has only gone down.

Dinesh Shah: Okay. So, what do you expect another six months to be?

Mukesh Dhruve: In the next six months we will definitely keep on growing as we have grown.

Dinesh Shah: Because we were expecting very much good growth of our net profit level, but it has not been coming, last two quarters, so will it be coming in the third and fourth quarter?

Mukesh Dhruve: We expect that to happen.

Dinesh Shah: Because last time first quarter 4 crores loss was there and expenses were there and in the second quarter also expenses in 8.87 crores notional loss is there, so will notional loss will be coming in the third and fourth quarter or it would not come?

Mukesh Dhruve: See, these are difficult questions answer. If you are asking me what will be the dollars rate on 31st of December and 31st of March, I am not in a state to....

Dinesh Shah: No, suppose it comes down to about 50-51 a dollar?

Mukesh Dhruve: Just to clarify, what was 4 years back has little impact. If the rupee depreciates then we have a gain but if the rupee appreciates we will have a notional loss which is not possible to predict at this stage. These are questions, which I cannot answer. These are hypothetical questions, how do I answer. All I can say is Repro India as a company is doing wonderfully well, we have shown growth year upon year...

Dinesh Shah: That is correct. At the net profit level we are not satisfied because they are coming flat to the previous quarter.

Mukesh Dhruve: I think you should look at the EBITDA level and you should look at the PBT levels, because we have grown at 23% from 13.98 crs to 17.14 crs. If you look at 28%, PBT has grown from 8.47% to 10.84 crs. As per accounting standards of the Institute of Chartered Accountants of India an outflow of the 2 crores of the deferred tax has been provided. So Repro India has earned a profit of 10.84 crores.

Dinesh Shah: Okay, sir. That is all from my side. Thank you, sir.

Mukesh Dhruve: You look at the EBITDA and PBT.



Dinesh Shah: Okay, sir. Thank you, sir.

Moderator: Thank you. The next question comes from Mr. Jigar Shah from Kim Eng Securities. Go ahead, please.

Jigar Shah: Hi, Mukesh bhai, good evening.

Mukesh Dhruve: Jigar bhai, good evening.

Jigar Shah: I do not want to burden you by saying that your net profit is not growing, but let me ask this question in another way. So, I think your return on equity is now around 21%.

Mukesh Dhruve: That's correct.

Jigar Shah: So, that has risen to what extent in the past one-year or so?

Mukesh Dhruve: If you look at the last three years it has risen from 14% to 18 and from 18% to 21%.

Jigar Shah: So, do you see there is a further scope for any improvement over there?

Mukesh Dhruve: Definitely, we feel it is possible.

Jigar Shah: Because, see, my concern would not be probably this year's profit, but what happens next year is that you are having a bigger base and then your also taxation will start kicking in, so that will kind of...?

Mukesh Dhruve: This year, Jigar bhai, MAT is applicable, so we already are paying tax at MAT for the current year, from next year 50% of profit will become taxable I agree with you.

Jigar Shah: Right, because I think that way the investors will be a little more relieved that your return ratios are improving probably due to tax and other adjustments net profit may not increase in tandem with the top line, but still your overall efficiency of the business is improving, so I think that probably when you have little more visibility for the next year, you should indicate that how you see the overall growth prospects of the next year. I think I would be more interested in that, but if you don't have an answer readily at this juncture, I will not pressurize on that.

Mukesh Dhruve: Sure. I respect this and we will grow at normal rates.

Jigar Shah: Okay, thank you and wish you all the best.

Moderator: Thank you, sir. The next question comes from Shalini Gupta from East India Securities. Go ahead please.

Shalini Gupta: Sir, I just wanted to check a few data files with you, like, what was the average cost of paper for you in this quarter?



Mukesh Dhruve: When?

Shalini Gupta: Vis-à-vis the corresponding quarter last year?

Mukesh Dhruve: Okay, because of the export being high in this quarter, the export rate of paper has been close to about 38,000 a tonne as compared to last year when it was close to about I think 41,000 rupees a tonne.

Shalini Gupta: No, I am talking about the paper that you would have bought.

Mukesh Dhruve: That is what I am saying. that, the paper that you buy, last year, your question is that what was the rate last year and what is the rate currently in the current quarter. Last quarter we would have bought it at the rate of about 41,000 a tonne, current quarter our cost has been down to about 38,000 a tonne.

Shalini Gupta: And sir, just wanted to check this with you, like, let us say you get an export order today, then you will take a forward cover for all the money that you will receive, that would mean maybe three months from now, is that correct?

Mukesh Dhruve: That is correct.

Shalini Gupta: Sir, and then the forex loss comes because you may receive this money on, say the first or the second or whatever, but you have to book it at the rate which is prevailing at the end of the month?

Mukesh Dhruve: That is correct. Absolutely right.

Shalini Gupta: Okay, fine. And, sir, this decrease in paper prices, is this the main reason why your raw material to sales may have gone down?

Mukesh Dhruve: Not the main reason, one of the reasons. There are three or four reasons. One key reason is, of course, the prices have gone down slightly, more than that the efficiency has increased and third one, our realization rate is higher than what it was in the previous quarter.

Shalini Gupta: Okay sir, all right. I am done, sir, thank you.

Mukesh Dhruve: Okay.

Moderator: Thank you. Next question comes from Dhruvel Kamar from BP Wealth. Go ahead please.

Dhruvel Kamar: Hello sir, good evening.

Mukesh Dhruve: Good evening.

Dhruvel Kamar: Sir, I just wanted to ask you about right now the current rate is something 228?

Mukesh Dhruve: Well, I am not...



Dhruvel Kamar: Okay, sir, no problem. Right now the stock is going at 228, sir. What do you expect in the long-term procedure.

Mukesh Dhruve: This is a question, which I cannot answer unfortunately. If you know the market I cannot do any predictions. It is done by the market forces. I do not know anything. Honestly I do not know what will happen. I did not even know the price is at 228, I did not know that, but I cannot predict anything on this my brother.

Dhruvel Kamar: No problem, sir. Sir, how much does the foreign export the company revenue?

Mukesh Dhruve: You see, this I have answered before. There is no fluctuation in a perspective, if the dollar today is at 55 we will be in a good position to get good export earning because we become competitive in the overseas market. If the dollar comes down, definitely we will have a physical loss for us. If the rupee-dollar is depreciated it really helps us.

Mukesh Dhruve: Okay, but sir since from last quarter to quarter like foreign exchange has like increased by 461?

Mukesh Dhruve: Yes. I have explained this that this is the difference between our sales booking and our realization. It is not a physical outflow of...

Mukesh Dhruve: Okay, sir. No problem. Thank you, sir.

Moderator: The next question comes from Mr. Rithesh Mistry from Captree Equity Advisors. Go ahead please.

Rithesh Mistry: Hi, this is Ipshita. Sir, I would just like to know that currently what is the contribution of sales that is coming from the Annual Reports.

Mukesh Dhruve: Annual Reports is only the business that we do in India and if you take the whole year's sale, I think it would be less than 5%.

Ipshita: Less than 5%.

Mukesh Dhruve: That is why we have been focusing on education as a segment and more than 86% of our revenue last year came from education and close to 90% this year will be only from education.

Ipshita: Okay, alright. The reason I asked this question is because with the green initiative thing coming in, a lot of Annual Reports currently not being printed, so is it a decision on the part of the company to gradually reduce this sales or has it happened on its own, that is what I want to know.

Mukesh Dhruve: No, we had an initiative to reduce this. We were aware of this and we support the green initiative to the extent that the books that we print, all the education books that we print, most of the paper that we use is wood-free paper or environment-friendly paper, which means that the paper is made not only by wood pulp, it is made from agro waste, which include bagasse on what raw material is used, so most the paper that we use for education books is made from wood-free papers. As far



as Annual Reports is concerned, yes, consciously we do not want to get into that business, it was a business, which we started long, long ago and today we are doing just some of the ET 50 reports, which includes corporates like the group of Tatas, Asian Paints, Infosys, Wipro and so on these companies have been with us now for more than 15 years, so we are continuing whatever little work they want us to do, but Annual Report is less than 5% of our business.

Ipshita: Okay. If I were to just compare the margins, like, what you would be enjoying on your educational books, if it is possible to generalize vis-à-vis whatever your margins in the annual report, could you just give a differential?

Mukesh Dhruve: You see, if you see the 80% books and the overall margin is close to about 18% at EBITDA level, annual report also would be in the range of say about 14% to 15% at EBITDA level.

Ipshita: Okay, all right. Thank you, sir. That is it.

Mukesh Dhruve: Pleasure.

Moderator: Thank you. The next question comes from Ashish Shah from Budhrani Finance. Go ahead please.

Ashish Shah: Good afternoon, sir. This is Ashish here.

Mukesh Dhruve: Yes, Ashish.

Ashish Shah: Sorry at the cost of being repetitive on that forex thing, can you help me understand, does it mean that had it not been for this 8 crores FX fluctuation that you have booked, would our revenue also be lower to that effect?

Mukesh Dhruve: Yes, it would have been lower to that effect.

Ashish Shah: And hence the growth that we are saying that if our top line actually grew by 21% on a YOY basis quarter, the top line growth would have been much lower otherwise, sir?

Mukesh Dhruve: We are providing the top line exactly as per each quarter's closing of the dollar, so that would not change definitely. Each quarter whatever the dollar thing we have rationalized that at that level only, but if you are asking me on absolute numbers, definitely this will be lower by this amount.

Ashish Shah: So, then the effective top line for this quarter will be 100.80-8.8 crores?

Mukesh Dhruve: That is right, absolutely right. On the contrary if I remove that then my ratio will be improved overall, isn't it? Maybe the sales growth would have not been that large numbers, but my EBITDA levels and my PBT would have been much better and larger in terms of percentages, because, when you are dividing by a lower figure...



Ashish Shah: Understood. And, sir, if were to make that adjustment and trend growth rate then effectively comes off quite a bit, so you are not seeing any slowdown necessarily as we get into the second-half of this year.

Mukesh Dhruve: No, we do not see that, definitely not. It is too early to predict, but definitely we are seeing a good amount of growth happening in the next half.

Ashish Shah: And could you share, what would be the order book you mentioned in the beginning that you have a strong order pipeline or something, can you share that number?

Mukesh Dhruve: Yes. You know, our order book is normally for a quarter or two quarters. Like for the current quarter, which is going on, we have an order book of close to 80 crores already.

Ashish Shah: Okay, sir. That is very helpful. Thank you and all the best.

Mukesh Dhruve: Okay. Pleasure.

Moderator: Thank you. Gentlemen if you have any questions, please press * and 1 on your telephone keypad.

Now, I hand over the floor to Mr. Mukesh Dhruve for closing comments. Please go ahead sir.

Mukesh Dhruve: I would like to just end by saying that this has been an exciting quarter for Repro India Limited. And see the good amount of growth happening in education. Going forward, the next six months also looks to be quite exciting and I look forward to seeing you again at the end of next quarter. Thank you for being in the concall and I appreciate your time.

Moderator: Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may go ahead and disconnect your lines now. Thank you and have a good evening.

