



“Repro India Limited Earnings Conference Call”

May 20, 2014

**MANAGEMENT: MR. MUKESH DHRUVE- FINANCE DIRECTOR
DR. PRAMOD KHERA - EXECUTIVE DIRECTOR**



Moderator: Ladies and gentlemen good day and welcome to the Repro India Limited earnings conference call. As a reminder, all participants will be in the listen-only mode. There will be an opportunity to ask questions after the presentation concludes. Please signal an operator by pressing '*' and '1'. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Dhruve. Thank you and over to you sir.

Mukesh Dhruve: Good evening all my stakeholders, ladies and gentlemen and all good friends. Good to be back with you after a while. I welcome you to this conference call for declaring our annual results for 2013-2014. I will just like to take you broadly over the overview of what we have done in the current year and what is our growth strategy and what will be our strategies for the coming year.

Current year there were three major things which we would like to highlight or we should like to bring it to your notice. One was investment strategy that we had adopted for the launch and investment of development of RAPPLES that is the Repro Applied Learning Solutions. I think to which we have ventured into in the current year. About which, I had my colleague Dr. Pramod Khera who is along with me and who will take you through the details. The second area was that keeping the new initiative of RAPPLES, We decided to increase our India business and which over the year has grown by 37% compared to the previous year and that has been our strategy of enhancing the Indian business, hence this will help us in development of the RAPPLES that we have launched in the current year. The third area was to reduce the overall debt and the collections in the export business and as a strategy we decided to take domestic business to the export. As a consequence of this, export business has overall come down by about 10%. Having said that, the debts have come down quite substantially and the export collectibles which were at one point of time at a higher of 180 days are down to 122 days. In order to discuss more about RAPPLES, I hand over to Dr. Pramod Khera, after which I will take you through the financials.

Dr. Pramod Khera: Thank you Mukesh. Good evening to all of you. We have already sent a presentation copy to all of you along with the results which I believe you must have got. I will just very briefly take you through Repro's overall strategy that we have adopted over the last 2-3 years and how the RAPPLES initiatives ties in with the broad strategy. So as has been explained in the presentation which has been given to you, the Repro's educational value chain begins with the client which is the publisher and there are a series of value-added activities that we offer to the publishers and help the publishers to reach their content to the student. Traditionally as a redline in the presentation, the first slide of the presentation as it shows, this has been done by producing printed box and supplying them to the student. So right from content creation to printing, to finishing and various type of printing, whether it is print on demand, short run or long run, then bindings, fulfillment. So all these value-added services we have been providing to the publishers. But over the last 2-3 years we have seen that there has been some sort of a disruption in the publishing industry which has been happening because of the advent of e-books. Now with e-books coming in, the question which was upper most in everybody's mind was what is going to happen to the printed book. Is it going to remain or is it going to disappear. While we are very

confident that the printed books are going to remain for next 5-10 years in the market that we operate in. We wanted to be ready with an offering for our clients which are the publishers whereby the same books, the same content can be delivered to the student electronically if required or on paper if required. So with that thought in mind, we embarked upon the new initiatives which are depicted with the blue line. So since we were working with the publishers on the titles, we have huge depository of titles from over 500 publishers with whom we worked with in the educational space. It was easy for us to really convert these titles into e-books. However going forward, we realize that if we just convert books into e-books and give it to the students and the experience is just will be similar to reading a book whether it is printed or whether it is on tablet or a mobile device is not really going to change. It is not going to be enough for the student to actually switch over the e-book. So what we realized is that what we need to do is to create a platform which actually helps the delivery execution. So with that thought, we have been working over the last couple of years and we came up with RAPPLES. Now RAPPLES actually is an acronym for Repro Applied Learning Solutions. So that is the brand under which we have launched this new initiative and which is nothing but using technology, using tablets to deliver education to the student directly. So we create an entire educational eco system and we are able to implement in schools technology based education with the books being the core.

Now what is different about this compared to lot of other players who are operating similarly in the digital space, see where we are coming from is that we have access to content from a large number of publishers. So depending upon whatever the school or the teacher wants, same books that we are using today in the printed form, we are able to give them in a digital form. Since we are not a content company, we are content aggregators, the teacher decides what books they want, what content they want. So essentially it is a teacher determined content that is provided to the school. Plus it is minimally disruptive in the sense that we are not changing the way education is delivered in the school. The same books, the same way the teachers are teaching with their lesson plans etc. We help them to automate that, put it on to the tablet and use technology to deliver education and because of technology they can enhance the whole experience by introducing videos, animations, and online assessments. In addition the platform that we have created, we work as teacher assistance because it helps the teacher to do away with the lot of the other manual activities like paper correction, preparing reports, maintaining student performance grade, cards etc. and it is independent of technology. The solution was on any platform, whether it is iOS, whether it is iPads etc., or whether it is android based or windows based. So that in a nutshell is described in the first slide.

Now going forward what we have done was it in Delhi in the month of February, we had launched this initiative in the Delhi book fair. Prior to that, we have been working on pilots in public schools and perfecting the solutions. We have conducted pilots in number of schools and in few of the schools, around 5-6 schools the whole solution is running and the students have been using it in some cases up to a year or so. So once we were confident that yes, the whole solution is ready. We launched it in February with a huge response from schools in and around



Delhi and also from the publishers whose content we were showcasing which helped us to actually project ourselves as a partner for the publishers in all the initiatives whether it is in printed form or whether it is in electronic form. Now based upon the launch response that we got, we are very confident that in the new academic year which starts in June-July we should be able to add a few more schools and by the middle of the year, we should have around 15-20 schools up and running. Now since the last year or the year where we were piloting and we were perfecting the solution, there have been significant investments which have happened in the solution. Most of the operating expenses have been expensed out doing the year which is to the tune of around 10 crores, Additional 5 crores which is the CAPEX, so total of 15 crores of expenditure has happened.

So just to summarize – what we were saying is that the solutions that we provide, we go to a school, we implement a solution whereby we put up a server, we put projectors in the classroom, we give tablets to the student, we give tablets to the teacher, we sort the book from the publisher, we trained the teachers and for the students they get interactive books. They do not have to carry heavy bags. They can take the tablets home, they can revise. For the teachers, they can make lesson plans, they can do online assessments. So it means reduced paperwork, better student attention. Parents can get a login so they can know how the students are performing and for the schools, it is a new way of learning and environment friendly and a better teacher output. So that has been the RAPPLES initiative. Now this actually like I said is a platform that we have created to extend our services to our existing clients which are the publishers whereby once we have the books into a repository, we have been able to tie-in more than 25 publishers in this initiative and going forward we should be able to increase that to may be 50 to 70 publishers over next 3-6 months. Now this has also helped to position Repro as a partner with our publishers than just a vendor thereby tying them in also for our printing work which had also seen a jump of almost 37% in the previous year because of the combined initiative. So that briefly is about RAPPLES. Now I handover back to Mukesh to take you through the financial performance of the company during 2013-14.

Mukesh Dhruve:

Thank you so much. Very quickly so that was a brief on RAPPLES and once I finish this, all of you are welcome to ask questions to Pramod. He is here only with me to answer all the specific questions.

As I mentioned, the domestic business has grown by 39% over the previous years. One of the key things I think which Pramod mentioned again is the Pan India strategy has been very successful and as you know in the past we were only in the West and Northern region, but now we have got a very good foothold in the Southern market. We have entered in the Eastern market. So the Pan India strategy is clearly working very well. Another important area in the domestic business is the print on demand which is really picking up and that we are expecting to grow very fast in the coming years the way it is going on. Export as I mentioned in the beginning, in order to increase the higher cash flow and realization as well as reduce the debt, we decided to work very diligently with the private publishers and as a strategy we decided to

reduce the export orders which has come down by about 10%, but having said that in the current year we realigned our exports team and looking for a growth in the way it is happening.

As far as the finance strategy is concerned, our peak long term debt was at one point of time about 206 crores which is now down to 174 crores. So that has happened very well. If we look at just the current financials, Pramod has already mentioned that for RAPPLES, we had expenditure of about 10.12 crores which is what we have expensed out.

So very quickly through the financial highlights – In the current year there has been an 11% growth of revenues from 380 crores has gone to about 421 crores. The operating profit if I have to do before the RAPPLES expense, it has grown from 71 crores to about 85 crores. Operating profit after RAPPLES has also grown from 71 to about 75 crores. The profit before tax in RAPPLES is from 41 crores to 47 crores. The profit before tax after RAPPLES has come down because of the expenditure from 41 crores to 37 crores and of course PAT would have remained at the same level if the RAPPLES expenses have not debited to P&L but after negating that from 38 crores, it is down to about 29 or 30 crores.

In terms of percentages – the EBITDA before the RAPPLES in fact has grown from 19% to 20%. So that overall is financial summary and very quickly if I have to look at the overall ratio – The return on net worth has remained constant at about 15%. EPS has remained same at about Rs. 23. The long term debt-to-equity from 0.24 last year, it has become 0.20 and average collection period which I said from 182 days has come down to 122 days and last but not the least the board of directors in the meeting held today in the afternoon have decided to declare a proposed dividend of 100% which is the dividend which we have been giving over the last two years. I look forward to your questions and answers.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Pranay Jhaveri from J&J Holdings. Please go ahead.

Pranay Jhaveri: Just wanted to understand for this current year, what is the sum that we are looking for as investment for RAPPLES and where do we see this basically we getting a breakeven point for RAPPLES?

Dr. Pramod Khera: Pramod here. As I explained RAPPLES, we have just initiated in 5-6 schools and going forward in the next academic year we are going to ramp it up. The strategy is first to focus on one region in the country which is the North region. So we are developing the North cluster and that is why we had done the launch in Delhi. We got a very good response and like I mentioned we should be able to add 15-20 schools over the next 3-6 months and going forward this is going to improve and then we will look at one more cluster most probably in the South in the way we should started by the end of this calendar year. So that is the strategy and while we have certainly plans, etc., since this is a new initiative and we are still understanding how this whole thing is

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going to pain out and acceptability in the market from whatever little that we have seen is very encouraging. We are quite hopeful that once we reach a figure of around 40,000-50,000 students, we should be able to breakeven. So till that time, there will be a phase of investment and that period should last anywhere between 18 to 24 to 30 months.

Participant: And what is the sum of investment that you are looking forward?

Dr. Pramod Khera: Like we have done this year, this currently is a division in Repro. So whatever expenses that are being incurred are being expensed out and whatever we have achieved in the previous year, there could be a similar level of expense incurred in the coming year, it could be higher but there would be revenues also which should be coming in during the year in the school that we are starting. So net could be of a similar range and as far as the CAPEX is concerned, again it could be in the range of 3-5 crores.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Mukesh Dhruve: Ladies and gentlemen thank you for this call and I appreciate your patience in hearing the new investment strategies that we have done and what Pramod explained to you on the RAPPLES strategy. Going forward, we are quite optimistic on our focus on education and on which Pramod had explained on education is something which Repro will continue doing that. As you are aware, Repro is the only company which is doing these kind of activities in the education business. Especially if you look at the traditional model which is the print model where we are doing a lot of innovation as well as the new initiative that we have taken up. We look forward to an exciting year going forward. Thank you for your time. It is our pleasure to have you all here.

Dr. Pramod Khera: Thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Repro India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

