



“Repro India Limited Earnings Conference Call”

May 23, 2014

MANAGEMENT: **MR. MUKESH DHRUVE – EXECUTIVE DIRECTOR, REPRO INDIA LIMITED.**
DR. PRAMOD KHERA – EXECUTIVE DIRECTOR, REPRO INDIA LIMITED.



Moderator: Ladies and Gentlemen, good day and welcome to the Earnings Conference Call of Repro India Limited. As a reminder all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is been recorded. I now hand the conference over to Mr. Mukesh Dhruve, thank you and over to you, Mr. Dhruve.

Mukesh Dhruve: Good evening all of the stake holders, ladies and gentlemen. Welcome back to this Conference Call of Repro Limited. I have my colleague also Mr. Pramod Khera with me who is heading the new initiative on RAPPLES and who will be explaining you in detail on what we are doing on that front.

At the outset, I would like to apologize to all of you for the technical glitch that we held on the 20th of this month which was on Tuesday last when our conference call was scheduled to be at 4:30 and I think some of you could not connect because of some technical hitches and that is one of the reasons that we are having this Conference Call again today so that those of you who had missed the call can attend all over again.

Coming to the whole year 2013-14, I would like to say that we have continued strategies and which have gone very well for Repro, one and the most important one being that we had discussed on the new initiatives and new investments on the RAPPLES, which is what we are trying to focus on, and that is been the area of focus that we have had this year, on which my colleague, Pramod, will take you through.

Second was to grow the India business, it was most of the new initiative business that we are doing, is this requires on the Indian publishers to be on board with us. And you have noticed that the India's business has grown by 37%, and third was due to the high amount of, number of collectables that we had and in order to reduce the debt we decided to strategize and reduce the exports. So exports have overall come down by 10%. Having said that, the collectible days which were the peak of 182 days have come down to 122 days. And the overall number of debtors have come down.

Before I get into the final numbers, I would like Pramod to take you all through the new initiative that we have done.

Pramod Khera: Good evening everybody this is Pramod Khera. Along with the results which were sent on the 20th, there was a PDF which has a presentation, I am sure all of you would have got that and would have had a chance to go through it. If you have that in front you, fine, otherwise I will just refer to that in my initial introduction. That presentation actually, the 1st Slide contained the education, value chain that we are pursuing vis-à-vis our offerings



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to our clients who are the publishers. So the publisher is in the business of publishing books and he has to reach the publishers to his customer which is the student. So there is a range of activity which happens in between which includes content creation, then content repurposing and product re-engineering, printing, binding with finishing and fulfillment. So all these have been the traditional activities that we have been performing and we have been able to offer this entire chain of services to our clients. Thereby differentiating us from the rest of the players in this scheme.

Going forward, we have advent of the E-books in the publishing industry, we need to also offer a different platform for a publisher an electronic platform, were by the same content, the same titles which we are delivering today on print can be delivered electronically. And that is how we got into the new business of e-books. Now if you look at e-books, while they will have only significant impact on the non- educational site that is fiction, etc. A lot of people are switching over to reading e-books, there are same sort of a change has happened rapidly in educational front. However, when we look at the space we realize it is not just a question of converting a printed book into an e-book. We need to do a lot of other value addition around it to enhance the whole learning experience. So with this, we have been working on this for the last two years and we have a team in place doing a lot of research in this area and the final offerings that we came up with, for the market we branded it as RAPPLES which actually stands for Repro Applied Learning Solutions. So RAPPLES is nothing but creating an entire educational eco system which is used to deliver education in schools with the book being the core. So that is explained in the slide about RAPPLES which we have sent in the presentation. When we are seeing that it is actually a 360 degree multi-sensory experience that we are giving to the student. So what we do is, we go to a school we give a turnkey solution where we put towers, we put Wi-Fi connectivity,*we give tablets to the students, to the teachers, each and every class room we equip with projectors and other accessories and we, whatever books the school is using, we approach our clients who are the publishers and get the same books as e-books from them, rather we get them a pdf converted to them to e-books or if the publishers already have e-books they give them to us. So what is happening is that in a school, the teacher decides what content she wants, what books she wants. We are not a content company, we are not approaching them by saying that this is the content that we recommend, you should use now. So whatever books, whatever content, if she is using some power point presentation, etc., we can indicate all that, if she has got some videos or we also can provide some extra supplementary material like videos animation, etc. We build that all in we train the teachers and that is why our model is what we call minimally, disruptive model with teacher detriment content. So the education, the way it is happening in the school continues to happen and it is independent of technology, so the server also has a back end LMS which actually reduces a lot of drudgery for the teachers, it becomes the teacher assistant, a lot of paper correction activities, and reporting activities get



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automated. So that is the entire RAPPLES solution that we offer. Over the last year or so, we have been working with ten odd schools and out of which five to six schools we are actually have been, we have implemented the solution on a paid basis and which is the students are currently using it which has been a lot of learning for us. We have refined the product that we went along then in February, we actually launched it in Delhi Book Fair and the Delhi book fair actually is an event which is very popular among all the publishers. So we had a big stall over there where we actually created a class room with around 30 students, where we can actually teach to around 30 students. So we had more than 500 odd students from different 60-70 schools coming and experiencing along with the teachers and principals. We also had an event for the principals; more than 100 schools participated over there. So we are looking at north as a market initially where we wish to expand and based upon, this launch which we did in Delhi book fair where even the publishers whose content we had with us, the partnering with us, we have more than 25 publishers on board who has given us the e-books as content and so over the last one year, to all these pilots and publishers in the product development and the launch etc., we would have spent close to Rs. 15 crores, out of which Rs. 10 crores are really operating expenses which have expensed out in the P&L and around Rs. 5 crore has been a CAPEX investment. With this, now we are ready for a launch in the current year going forward, with a new academic year where we could start in June, July, we hope to sign up more schools as we go along and the idea is that by middle of the year we should have anywhere around 20 odd schools running and around 1500-2000 students who are part of the whole RAPPLES implementation.

So that is what RAPPLES is all about and like Mukesh was explaining, as more and more domestic publishers are coming and board with their e-books to us. We are able to get the content into a content depository, thereby also making it easier for us to provide and print services because the content is already available to us which has also helped us in our domestic business which as Mukesh mentioned has grown by around 39%.

So that is the way we have been moving and that is what has been significant in terms of the announcement that we did along with the results this year. Thank you.

Mukesh Dhruve:

So taking through the finance very quickly. We have discussed the domestic, the new initiative RAPPLES as well as the export strategy. Having said that the long term and short term debt reduces from a peak of Rs. 206 crores in the year down to Rs. 174 crores. So that has been a big change which has happened and which is worth what strategies that was adopted by our company.

Very quickly, we will look at the financial results – there has been a growth of 11% in revenues from Rs. 380 crores to almost Rs. 421 crores. Pramod mentioned about the



expense of the Rs. 10 crores of the new initiative business of RAPPLES. So, if we look at the operating profit before the RAPPLES expense has grown from Rs. 71 crores to Rs. 85 crores, after the expense has moved from Rs. 71 crores to Rs. 75 crores. Same way, if PBT before RAPPLES has grown from Rs. 41 crores to Rs. 47 crores and after the RAPPLES expense it has come down from Rs. 41 crores to Rs. 37 crores. And consequently, the impact is there in PAT also, which before the RAPPLES expense is almost at the same levels of Rs. 38 crores, however, after the RAPPLES from Rs. 38 crores it is down to about Rs. 30 crores.

As far as the overall, if you look at the EBITDA numbers before RAPPLES, it is in fact grown by a percent, from 19% it has grown up to 20% but because of RAPPLES, it is definitely looking a bit down.

The key ratios:

If one has to look at the financial ratios – the net capital remains steady at about 15%. The EPS also remains steady at Rs. 23 per share. Loan from debt equity has reduced from 0.24 down to 0.20 and average collection period, which I said is come down to a 182 days to 122 days and the company has proposed a declaration of 100% dividend for the current year.

I throw it open to any questions and answers that anyone of you has.

Moderator:

Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Apoorva Kulkarni from Nine Rivers Capital. Please go ahead.

Pragati:

I had a question on the export market, so while you explained in your presentation that there has been a realignment of terms and you have been selective in choosing your orders. If you could just tell us about the exports market in terms of the exposure that you had to the various countries, in terms of percentage revenues and what has happened in each of these markets and whether it is competitive pressure or what has elongated your working capital cycle there, if you could just take us through the major market there, country-by-country?

Mukesh Dhruve:

Pragati, the overall situation on the exports was that if you look at the exports and domestics, we have always targeted, to be at 50-50% between domestic and exports. For the current year, if you look at it, it is basically 47-53%. As far as the decision of the strategy redo the whole thing worked because we felt that some of the exports which were done were depended on the government orders and government money, some of the governments had delayed the release of the funds vis-à-vis that we have done and as a result you can see there was a phase where the collections went up to almost 180 days. So,

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then we took a strategic decision that we should not try take more exposure and increase the numbers of collecting days rather than that, to strategize and capacities were there, so we focus and made sure that we got more of India's business, which again was a key strategy as Pramod explained in the beginning that we wanted to have a mandate with most of the publishers, since they will come on for our new initiative business RAPPLE. Country wise, if you look at it, yes our major market has been West Africa, which is Nigeria, Ghana, Cameroon, and Ivory Cost. East Africa which is Tanzania, Kenya, Uganda, Rwanda and of course South Africa with the SABAC region which is Mozambique, Botswana, Tanzania, Namibia, and Zimbabwe and so on. The pressure had been from almost all the governments because there were some government contract which we have done in East Africa, where the payment is at the final stage, and the money has got delayed. Something that similar held us with some initial funding which has happened in West Africa and the money has got delayed, which was specifically country wise, it was Ghana. South Africa we have done some business with publishers like Pearson. There also funding had to come from The World Bank into the Mozambique area where we finance. So we took a prudent decision that rather than blocking more funds, it is better to re-strategize and make sure that we reduce our exposure and reduce the debt. As you must have seen the rate has come down from a peak of Rs. 206 crores down to Rs. 174 crores. Going forward, we do not see any reasons, yes we will make sure that our collectables remains within the reasonable limits that we have decided internally and rather than doing business where our collectable cycle becomes longer. So we did not want to get into those kinds of cycles. That was the key area but going forward also, we are quite pretty sure that both India business as well as exports, will grow over a year.

Pragati:

But how do you see yourself in the next 2 to 3 years? I mean, is this kind of, is domestic going to be the focus area or you will keep going back and keep looking at these markets and keep engaging with stakeholders there? What I am trying to understand is, is it a strategic shift that you have done or it is more of a short term realignment that you have done?

Mukesh Dhruve:

I would put it like this; this is for the onetime decision. This is to balance both the things. To balance the overall business, to balance the overall collectables, so it was a onetime decision. But going forward, these are the same countries which offer a huge opportunity and we are dealing with just 24 countries, there is so much more to grow in this country business. So, I do not think there will be a change in the strategy, however going forward we will be a bit cautious than what we were otherwise. We always have business opportunities which are available there. Their orders to be taken but still if we are not sure about the money part of it, we do not want to indulge into it, especially as the governments are concern. So, we will go a bit slow on the government side of the business, but having said that there are lot of private publishers in all these areas and

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which have got good amount of business happening. So, going forward I do not see any change in the strategy. Both domestic, of course we want to grow in domestic of what we achieved last year, we have to grow in that area also and exports also were to grow compare to the previous year.

Moderator:

As there are no further questions, I now hand the conference over to Mr. Mukesh Dhruve for his closing comments.

Mukesh Dhruve:

Ladies and gentlemen and stakeholders, thank you once again for coming for this con call. I once again apologize for having this Conference Call one more time because of the technical hitch that we had on the 20th of May, when we had announced the results. Having said that, I would say these are very good times for education companies like Repro India, especially with our focus on the new initiatives of what Pramod explained in detail, the RAPPLES business which we see growing in this year and where the number of schools will keep on increasing. At the same time, we are extremely excited on the domestic growth with our PAN India strategy, looking at all the four regions of India, where we can see education growing in every nook and corner of India. And last but not the least, exports also look to be promising and going forward we see over the 3 areas of business growing in Repro and I look forward to meet you in my next con call. Thank you for coming and good evening to all of you.

Moderator:

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

