



“Repro India Limited
Conference Call”

January 30, 2013



MANAGEMENT: MR. MUKESH DHRUVE

Repro India Limited
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Moderator:

Ladies and gentlemen good day and welcome to the conference call of Repro India Limited for the announcement of the unaudited financial results for the quarter ended December 31, 2012. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing "*" followed by "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mukesh Dhruve, Executive Director, Repro India. Thank you and over to you Sir.

Mukesh Dhruve:

Good evening ladies and gentlemen and all my friends and stakeholders. Welcome back to this concall of Repro India Limited. As you are aware we announced the results during the board meeting yesterday morning for the quarter ended Q3 for December 31, 2012.

It has been one of the best quarters for Repro India in terms of overall growth in the operating margins as well as profit after tax. As most of you must have seen the results. There has been 9% growth in the revenue from 88.66 Crores to 96.37 Crores, 12% growth in operating profit from 15.79 Crores to 17.71 Crores and 20% growth in the profit before tax from 9.22 Crores to 11.02 Crores. Profit after tax has grown almost by 33% from 8.27 Crores to 11.02 Crores. It has been wonderful quarter in the sense that.

We had a strategy where I had spoken to all of you last time that we want to try to remove the non-profitable business and bring in the more profitable business and we are looking at growth both in India as well as exports and that strategy has really came out very well as you can see. In the current quarter, the India growth has happened and it has happened quite well. The encouraging part is that in the first nine months that it just got over, if you compare the year-on-year nine months to nine month, there has been 17% growth in the revenue 249.4 Crores into 291 Crores. There is a 15% growth in operating profit 44.11 Crores has gone to 50.87 Crores.

This as you can see is the highest EBIDTA in the first nine months that we have achieved; even we have achieved more 51 Crores in nine months. 21% growth in the profit before tax from 26.18 Crores to 31.55 Crores and 10% growth in PAT from 26.37 Crores to almost 29.12 Crores, so overall nine month outlook also has been quite good. Repro I feel has tried to move towards the objective. As you recollect in the first and the second quarter, yes our top line grew but we were not having as profitable businesses as we wanted, which was

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what our plans and as per the plan we have really tried to remove the non-profitable business and bring in the more profitable business and this has mainly happened because of the lot of value additions that we have done in our businesses.

Lot of value ads are given to customers. As most of our publishers have huge inventories of goods, they have a huge warehousing cost, finance cost, all that is something which we have replaced by giving them books just in time. As a result we are getting better margins in India as well as outside India. It has been wonderful quarter and I think the way we are going, we are looking to an exciting Q4 and the next following year. I look forward to your questions.

Moderator:

Thank you. We have the first question from the line of Chandrakumar Shah from an Individual Investor. Please go ahead.

Chandrakumar Shah:

Good evening Mukesh. At the outset again as I said last time also in last quarter you were on the telecom to really congratulate you and your team and the officers and staff who have really worked hard and I would beg to differ on one count that overall economy is not bringing a still that is what I feel. So that is why it is a more creditable to our Repro to achieve such a good result. I have two, three question, I will just put question by question, can you tell me Mukesh Bhai what you so peculiar about these quarter profit?

Mukesh Dhruve:

Would you like to put all your questions or do you want me to answer one by one.

Chandrakumar Shah:

One by one question, now, first question. I will go on putting to you.

Mukesh Dhruve:

The peculiar thing about this quarter is 11.02 Crores the profit after tax what we have achieved is the highest profit that we achieved in a quarter, profit after tax is the highest, profit that we achieved in any quarters. We have never achieved this number in the current year as you know. In the first and second quarter the profits almost in the range of 8 Crores and 9 Crores plus, 11.02 Crores is the highest profitability that we achieved in the quarter and this as I mentioned in the beginning mainly because of the efficiencies and choosing the businesses, which are more profitable rather than doing bulk printing or volume printing.

Chandrakumar Shah:

That is what I was thinking that is why I just wanted you to confirm that is the reason I put these question. Second question, what is the foreign exchange fluctuation 86.4 it is on minus side I think?



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Mukesh Dhruve: That is on the positive side. This is the difference between the booking of the sales and the actual rate on the closing of December 31.

Chandrakumar Shah: Very good. Secondly, I find that the other income compared to previous quarter has gone down. Could you just give some actual highlight on this particular aspect?

Mukesh Dhruve: It is compared as to 1.98 Crores. It is come to 1.85 Crores. The reduction is very really minor. This is basically the excess funds that we keep it on interest in FDs and mutual funds for the temporary period till we are going to use it again. So it is all of those is shown out here, but if you see basically there is not much of a difference from 1.98 Crores it has gone to 1.85 Crores, very marginal reduction has happened there.

Chandrakumar Shah: Now Mr. Mukesh Bhai, if this trend goes on, what is your expectation for the year end that is the last quarter? Overall do you think we will be able to do much better compared to previous year I mean terms of profitability and declare some dividend of course, I think, overall do you think we will be able to do much better than the last year in terms of profitability?

Mukesh Dhruve: We do not give any forward-looking statement as such as you know. I do not ever give forward-looking statement but to answer your question specifically definitely as you can see in the last four years we have done a topline of about 345 Crores as compared to that in the first nine months itself we are close to 300 Crores. So definitely we will achieve the last year numbers. There are no two ways about it. As compared to the profit numbers last year, the profit after tax was close to 35 Crores. We are very close to 30 Crores in the first nine months. So those numbers also very well achieve it. I do not see issue on that. As far as the quarter is concerned it is looking very exciting, because we have orders from Ghana, a government order, which is backed by UNICEF. It is the big order what almost about 25 Crores, which we are going to execute in the current quarter. We have orders from Ethiopia of some of the tenders that we had participated, which is going to be executed now. In India itself we have made in-roads. As you remember last time, I had mentioned very clearly that we are very strong in the western and northern India; southern India was what we have made entries after we took over Macmillan in 2011. We have made good in roads into that market also. Now in the current year, strategy was to go into the eastern side of India, so that we were PAN India presence. We have recently started getting orders from Eastern India also, lot of projects on execution, so those also will happen. Overall, I would say, but Q4 looks very, very exciting for India.



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- Chandrakumar Shah:** Last but not the very million dollar question Mukesh Bhai. In spite of such a lovely result and the good growth in progress, why all of a sudden there was fall in the share prices Mukesh Bhai, I am not able to understand, could you give your thought about it?
- Mukesh Dhruve:** Mr. Shah I think we cannot answer this question, because share market is something which we do not control, we do not know anything about it. All I can tell you that Repro is doing very well. Repro is performing. Repro has given the highest profit of the quarter. It is a difficult question to answer. I do not know this. May be a lot of participants on this concall would be able to answer that. I do not know honestly. All we know this, we are in the best business of education, which is growing quarter-on-quarter, which is doing very well, and genuinely I do not know the reason. I cannot answer the question at all.
- Chandrakumar Shah:** Bravo! Mukesh Bhai. We are all with you and we have full faith in Repro and I know it will grow. It will be a good I mean it will be a prosperous company too for investor also. Thank you very much Mukesh Bhai for your answers.
- Mukesh Dhruve:** I missed one question about your dividend part of it, which you mentioned all I can say that we have board approved dividend policy, which is between 25% and 30% of the profits it is something what we will distribute.
- Chandrakumar Shah:** Very good. Thank you very much Mukesh Bhai and wish you all the best.
- Mukesh Dhruve:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhimant Shah from Principal Mutual Fund. Please go ahead.
- Dhimant Shah:** Good afternoon sir. Two or three questions. Question number one, has there been some kind of deferment in the order, which was supposedly to be booked in Q3 to Q4 number one and what is the existing order book if you can just because I just joined in the conference call?
- Mukesh Dhruve:** I would not say there is any deferment. I would put it like this that the order book is all giving quarter-by-quarter, there are some orders, which we planned to execute which is planned towards the end of quarter, but you know for any order in education business what we do, there are three components basically getting the orders, second is getting the inputs meaning the books have to be approved by the customer for printing and third is of course

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the finance. Now all the three things have to happen together after which we execute the business. Order book keeps on moving sometime, if one of the thing like, as what is the finance tied up, I have got the order but this is the inputs are not approved by those authorities, then we cannot start the physical printing and then deliveries cannot happen. So these are the usual challenges we see in this business for sometime. What you are saying, the order could have been received in previous quarter, but gets executed in the subsequent quarter. Typically we have World Bank order, which we are supposed to execute in the last quarter it is US aided order for Afghanistan, which we have executed one of in the previous quarter. We were supposed to do it in the last quarter but unfortunately because of the political situation out there they have not able to and they have give us the approvals for the purchase order was issued and US government is supposed to give them the back to back LC, which has not happened as a result of it we could not actually execute those orders, so sometime some of these things happen, but I do not think this is a worrying situation because that happens quarter-on-quarter, you know some of the last government bagged tenders, orders, which would happen in any industry, so they definitely would not worry us honestly.

Dhimant Shah:

Has there been some reclassification, what is the order book right now?

Mukesh Dhruve:

Order book for the current quarter as I talking to you is close to about 75 Crores.

Dhimant Shah:

That is unexecuted order book.

Mukesh Dhruve:

That is correct.

Dhimant Shah:

That will be executed over what timeframe?

Mukesh Dhruve:

We are executing it in the next two months definitely.

Dhimant Shah:

The entire order book?

Mukesh Dhruve:

Yes, the entire order book.

Dhimant Shah:

Great and has there been some reclassification in terms of to treat some of the expenses?

Mukesh Dhruve:

Not really, the same standard what we have been following has been followed, no reclassification at all.

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Dhimant Shah: The foreign exchange fluctuation if you can because from September quarter it seems to have, despite no change in topline.

Mukesh Dhruve: The point is which I had explained last time, the foreign exchange fluctuation, which was shown last time also, it is a notional fluctuation and that happens for two things, one is we realize our exports has normal forex which we have done and the sales are booked on the last day of the month. To give an example today for example the dollar is in the range of say Rs. 54, so my sales will be booked at Rs. 54, but I would have done my forward where I have realized Rs.52, so the Rs. 2 difference is shown as a forex loss, however, the forex what we have done were better than the actual dollar closing, because if you remember we have got forwards, which were better than the actual closing of the dollar, so that is why there is a notional profit being shown of over 86 lakhs.

Dhimant Shah: Understood sir. Right and you have formed in a new subsidiary?

Mukesh Dhruve: That is correct.

Dhimant Shah: What is the structure, what is the intent?

Mukesh Dhruve: If you look at it, which I had announced the last time was that we are doing this print on demand in the digital business, we are the first ones to import of a Kodak Prosper machine in this country. It was launched globally last year and we were the first ones to bring it into India. It is a print on demand machine, if in traditional print on demand machines you can print 100, 200, 500 copies whereas in this you can get 1000, 2000 copies, so specifically a publisher who normally wants 500 or 1000 books may go to print 5000 and get the economy of scale in the traditional model that exists; however, with this new technology the publishers need not need to print anything they can just place an order on us up to 2000 books and it can be delivered within 3 or 4 days. So they do not keep inventory, no warehousing cost, nothing. These are the value adds, which we are talking in the beginning where we get a better realization when we give overall services, so it is basically 100% subsidiary of Repro India Limited in which we wanted to put the digital business. So that it gets a different focus. It is a 100% subsidiary of Repro, which is going to focus on the digital business.

Dhimant Shah: What is the advantage of having the separate company?



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- Mukesh Dhruve:** The reason being the digital business requires the separate treatment, the paper consumption is different, you know otherwise all the things we are get classified as one. For example, in our traditional business, the paper consumption will almost constitute about 50% of the cost. There the paper will hardly cost 30% or 35% only, that is why the margin will be much better in that business. In fact, if I club that with our traditional business then we will be distorting the entire picture.
- Dhimant Shah:** Lastly on the working capital if you can throw some light, how is that you are talking about gradual improvement quarter-on-quarter?
- Mukesh Dhruve:** To be honest we have not improved very much on the working capital like as we still in the range of 140 days. If you take debtors and advances and receivables and all that, it is in those ranges, but definitely because a lot of business has been executed in the last quarter, but we are expecting that improves in this quarter definitely. Yes our internal targets are quite stiff. We are trying to reduce the overall working capital cycle which we are expecting in this quarter to come down.
- Dhimant Shah:** On net basis can be five, 10 days improvement?
- Mukesh Dhruve:** Definitely, it will be more than that. It will be close to 9 and 10 days.
- Dhimant Shah:** If you can just allow me one more, if you compare our business currently with the new Avatar of Macmillan India, which is also listed, any key advantages, disadvantages over that model?
- Mukesh Dhruve:** Their business is very different than our business. The new avatar of Macmillan publishing is nothing to do with what we are doing. It is the publishing companies, so there are two parts. The Macmillan business, which we took forward basically, is only the plant and machinery in the unit in Chennai. Then the publishing business is very much with them, so they are continuing with the publishing business. So publishing completely belongs to them, so we do not ever intent to become a publisher or we will never become our publishing company. There business model and everything is very different and what we are doing.
- Dhimant Shah:** I will just come back in the queue if I have something.
- Moderator:** Thank you. The next question is from the line of Ipsita Roy from Captree. Please go ahead.

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Ipsita Roy: Good evening Sir. Sir, could you just give us a break up of domestic and export revenue for this quarter?

Mukesh Dhruve: In terms of percentage if you look at it. The domestic absolute numbers was 41.96 Crores and export was 54.42 Crores. If you take the comparable quarter, the domestic from 32.45 Crores became 41.96 Crores, almost a growth of 29% and Exports almost from 56 Crores to 55 Crores, if you take number or figures, if you want to look at the nine month consolidated figure.

Ipsita Roy: Yes Sir.

Mukesh Dhruve: The domestic has grown from 92.38 Crores to 104 Crores growth of almost 13%, if you take nine months over nine months, export growth of 157 Crores to 186.82 almost 187 Crores. This is a growth of 19% in the export business itself.

Ipsita Roy: With regards with this I think domestic revenue has grown quite substantially this particular quarter. Is there any kind like concentration that you know we are trying to promote more of our business into domestic or it is just one of a quarter, that as you know it has been like this or as you mentioned that you know we had World Bank order and it got delayed, so is it because of that, that the export revenue has more or less remained constant?

Mukesh Dhruve: I would say that is as I mentioned we want to focus on both India as the country as well as export, in our case exports are mainly we are doing big amount of business in Africa, unfortunately people presume Africa is one country, it is not one country, you know a big continent of 50 plus country, we are present in about 22 countries, so we are exporting books to 22 countries out there. If you look at, so we want our India business also to grow. We want our export business also to grow both together, both of them and if you look at overall ratio, because like what you said it looks like aberration. but I would say overall the business have grown 17% if will take nine month over nine month. Three months back our ratio of export to domestic was 64:36, so there is only one percentage point difference, 63% in 2011-12 nine month s, today it is 64% so on the contrary the export has grown by 11%, 63:37, it is 64:36, if it is nine months, it has grown by 1% point and not gone down. Unfortunately people are looking at this quarter that yes again 55 Crores we have done again 56 Crores we have done 55 Crores, so it looks down, it is not down on the contrary it has grown by a percent point.

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- Ipsita Roy:** As a proportion of totally, okay.
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- Mukesh Dhruve:** Total 64 Crores.
- Ipsita Roy:** The reason I ask because I think earlier you had mentioned that Africa it holds a lot of more potential with regards to the education sector, so that is why I asked that I mean do you see any kind of?
- Mukesh Dhruve:** If you see the last quarter in our exports to domestic ratio was almost 71:29. So overall we would say this exports list to be good very, very good. But that does not mean that we are not focusing on India, even India will grow. Both businesses are growing.
- Ipsita Roy:** Okay, as such you do not see any kind of slowdown or any kind of problem happening in the education sector as far as India is concerned?
- Mukesh Dhruve:** I would say, education as the sector, as a segment is growing in both India as well as Africa and both India and Africa need huge amount of books. So the demands for books are not going down. In India it is very fragmented, as you know there are close to 17000 companies operating with small, small capital, so yes, you are competing with unorganized competition, which is fine, because we are giving a lot of value added services.
- Ipsita Roy:** Thank you sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Ashit Seth from Anvil. Please go ahead.
- Ashit Seth:** Good evening Mr. Mukesh. Just a couple of questions, what is the net debt as of this quarter end that we have?
- Mukesh Dhruve:** If we are looking at the long term debt, the long term debt has come down for the quarter. Overall from debt equity ratio what was the 0.57 on the March 31, 2012 has come down to 0.47 is down to 0.43. The debt-to-equity ratio is down to 0.43, so overall debt is down to about less than \$50 million.
- Ashit Seth:** Overall what is the total net debt that we have today as on this quarter?
- Mukesh Dhruve:** If you take the working capital and the long-term debt together, it will be in the range of about 130 Crores.



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Ashit Seth: 130 Crores net right?

Mukesh Dhruve: Correct.

Ashit Seth: So going forward, what is the kind of capex that we are looking for the next year?

Mukesh Dhruve: As I mentioned in the past up to, till the time we reach a top line of about 650-700 Crores, we will not need any new capex for expansion, then the routine capex which should be in the range of about 10 to 15 Crores.

Ashit Seth: 10 to 15 Crores.

Mukesh Dhruve: Which again most of the time will be met from the internal generation.

Ashit Seth: Sir, also just on the realization, so what is the kind of average realization that we see for this quarter in terms of dollar?

Mukesh Dhruve: Realization in different months is given as different, but almost in the range of you can say 52 plus.

Ashit Seth: That it will be average realization right?

Mukesh Dhruve: Yes, average realization.

Ashit Seth: Going forward, we have a policy of hedging close to around 80% of our debt. My question is going forward, because the way the rupee dollar has behaved do we have hedges which as band of I think moved upwards?

Mukesh Dhruve: Yes, it has moved upwards.

Ashit Seth: It has moved upward right, so what is the roughly, what is the band for the next?

Mukesh Dhruve: We have got hedges going forward in the range of 55, 56, and 58 going also up to 60.

Ashit Seth: 55 and 60 that is the range that range will be applicable how many months of exports?



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Mukesh Dhruve: I do not have those charts in front of me, but it is applicable for the next two to three quarters.

Ashit Seth: Next two to three quarters.

Mukesh Dhruve: That is correct.

Ashit Seth: Okay, so also on the domestic business front, overall it is used to be domestic growth was more or less in line with our export growth; however, this quarter it has been different, the percentages have gone much favorable in terms of exports, so how do we see this as a trend? Are we seeing a little bit of slow down in domestic business as compared to the export business?

Mukesh Dhruve: Compared to export business, we will always try to see we have been the ratio 60:40. So 60 will be export and 40 will be domestic. That is what about trend has been, but yes focus has been on export, because that is more profitable compared to the Indian business, definitive focus has been on exports and export you can see has gone up by 64:36 in the current first nine months. I did not say even domestic, because of the value adds a lot of services that is getting profitable, not as profitable exports, but compared to the domestic players it is much more profitable to us. Going forward, we are going to focus on both the regions. It is not that we are going to focus only on a region, because India is also important to us and what we are doing for education in different parts of Africa where you know the conditions are worse what India was 25 years back or 20 years back. There is same stand if you look at India also, lot need to be done in India and that is what we are going to focus, because we want to do a lot more to India also as a company and we will use scope for improving the books that our children read.

Ashit Seth: Sir one more thing, just wanted to ask on the taxation front. I mean again we probably have not got any tax for this quarter, when I met you couple of quarters back you indicated that tax rate could be closed to 10% to 12% for this year, so do you think that tax rate will be applicable for the whole year 10% to 12%?

Mukesh Dhruve: If you recollect I had explained very clearly that because of our being in the SEZ, special export zone, first five years it is zero tax for us, so this is the last year of that five year period, so officially there is no tax; however, if we recollect from last year, we have got MAT even coming in SEZ, so we are paying MAT tax, which is you know if you take the

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basic that comes to about 21% almost. We do not pay 21% tax; however, as per the guidelines from next year onwards over 50% profit of the SEZ will become taxable, so as per the guidelines you do not need to debit the MAT into P&L account; however, next year, will have to debit whatever is the 50% tax or MAT, whichever is higher will have to debit that in our P&L account, but we will not to pay physical tax, there will not be cash outflow, so MAT what we have kept in the last and current year will be credit adjusted against the tax payable in the next year.

Ashit Seth:

You have indicated that as of today we are making a cash outflow and going forward there will be a P&L entry for this quarter, then for the next year the tax rate should be closed to 20%?

Mukesh Dhruve:

It will be MAT or 50% whichever is higher. Roughly in the range of 20% you are quite right.

Ashit Seth:

In the range of 20% right?

Mukesh Dhruve:

That is correct.

Ashit Seth:

That is it from my side. Thank you.

Moderator:

Thank you. The next question is from the line of Vishal Jajoo from Nirmal Bang Securities. Please go ahead.

Vishal Jajoo:

Sir, after nominal 40% year-on-year increase in topline last year it was followed by a 20% growth in topline last two years, but this quarter the topline has grown by 9% only?

Mukesh Dhruve:

Right.

Vishal Jajoo:

Any particular reason for this, because during the last concalls commentary it was probably the next quarters would be equally exciting as the first two quarters?

Mukesh Dhruve:

The only change, I would say Vishal, we have done better than the previous quarters, because there are two parts to this, one we did not want to do too much of you can say bulk printing where you do not make money, we could have ended up doing it is a 125% Crores and shown a PAT of 8 Crores, which I do not think it is right thing to do. So rather than that we focus on the profitable business and where you could add value and we thought it is



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better to do or lower topline and improve the operating margin. So we have been focusing genuinely on the operating margins and how to improve those areas. That is I think what have been done in the current quarter, so yes of course internal targets are that we want to grow it as that 20% level we are going, but more than the topline our focus has been on the operating margin and that is the focusing we should continue to doing it. If you see the first and the second quarter, which you are comparing this has been better quarter than those two quarters. Because it has been the highest operating margins that we have done in the first nine months, we have never done 50 Crores of operating margins which we have achieved in the first nine months including the current quarter.

Vishal Jajoo:

Is it that probably since third quarter usually you do not have annual report business, though it contributes only 5% or less than 5% of that your turnover, so that is one of the reason, but then on the year-on-year basis even that negates itself?

Mukesh Dhruve:

Annual report business is not at all our business. We do those some annual reports in the first quarter only because of our relationship with companies like Infosys, Wipro, and Tata in all of them. We continue doing that what you mentioned is less than 5%. The total annual report business is about 10 Crores. We are talking about 300 Crores and 10 Crores. I do not think 10 Crores impact any quarter that is why I do not know why people are obsessed with this. First of all yes, we are following the American system of discussing quarter-on-quarter all the time, all I can say this is the best quarter from Repro's point of view. We have done the higher EBITDA margin. We have done the highest PAT margins and people are now asking why your topline has not grown. I think people should be more happy with what we have grown in the EBITDA margins.

Vishal Jajoo:

What is the receivable period as of now?

Mukesh Dhruve:

Receivables are about 140 days.

Vishal Jajoo:

114.

Mukesh Dhruve:

No 140.

Vishal Jajoo:

Is it that EBITDA higher than we were expecting about 120 days?

Mukesh Dhruve:

I do not know if you heard the first part. I said yes our working capital cycle has gone a bit higher. Mainly you know the Indian business which happens normal credit terms are 120,



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130 days, 120 is normal term, now the books all would have delivered and there will be giving it to the schools in this quarter and they should be releasing most of the money in this quarter. So that has been an area of concern, but not overly worried about it because these are all go to A+ publishers and I think this quarter will be able to reverse that trend.

Vishal Jajoo:

There was an advertisement from your side in financial delivery with regard to disposal of some machines. Has it got to do with the fact that you have got this Kodak machines that is you want to dispose of that old machine?

Mukesh Dhruve:

That is right, because those are become obsolete since then new ones have come obsolete ones does not make sense. That is right.

Vishal Jajoo:

Thank you.

Moderator:

Thank you. The next question is a follow up from the line of Dhimant Shah from Principal Mutual Fund. Please go ahead.

Dhimant Shah:

Can you just tell us the capex plans for next two years?

Mukesh Dhruve:

We have not thought of two years, but I would say in the current year, what I mentioned we have done in the routine capex. Next year also will be routine capex of about 10 to 15 Crores, which means the routine thing, which we do in year-on-year. I mean till we reach 650-700 Crores we will not need in any new capex for enhancing capacities.

Dhimant Shah:

This would be true for consol level as well?

Mukesh Dhruve:

Sorry, that should be true for?

Dhimant Shah:

The consolidated entity?

Mukesh Dhruve:

That is correct. I am talking about the consolidated entity.

Dhimant Shah:

Lastly, I mean there would be no requirement for any geographical diversification as far as we are concerned in terms of diversifying from Africa?

Mukesh Dhruve:

Dhimant we are already doing business with the developed countries which includes UK, Europe, US, we are exploring a lot of business into Russia, we are doing with Australia, we



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have started new businesses with Singapore. There is a company called Scholastica's which is education, publishing company, so we have started there, but they are not substantial number, we are doing that. So to answer your question, yes we are looking at these areas also, plus in Africa itself in the 22 countries we are dealing there is a huge scope plus we are expanding into other countries also in Africa. Like we are looking at the Francophones countries, which is about seven to eight countries more. We are looking at the southern American region, which is mainly Brazil. We are doing some small businesses in Brazil. So, it is we are expanding global everywhere, but yes Africa is a place where education requires big boost and there is a huge demand happening from there. Right now we are getting good amount of orders from that region. One the need is very high. Two lot of funding is happening by World Bank, UNICED, CIDA, which is a Canadian International Development Agency, lot of funds are coming. One if you go to Africa overall, in South Africa, which is supposed to be the most developed part, one book is shared by four students. If you go to East Africa one book is shared by 13 students. If you go to West Africa one book is shared by 17 to 18 students. Every President whom I have met in the last two years has a dream one child one book. From India side, one child one book in this countries where we have present itself the demand will become almost you can say 10 to 15 times. There is a huge demand requiring these systems. Not that the other markets are not we are looking other markets, we also want to diversify, so we are looking at those options also. We want to expand in those areas also so we are looking at that, but demand is so huge that you do not need to look at other areas, this itself are big areas, but yes the next growing area would be Brazil, which looks to be quite big.

Dhimant Shah:

In terms of our tie up with the publishers itself those who are present in the education space, any significant miss out I mean in the sense that any but we have not tied up, but they were significant player in education space?

Mukesh Dhruve:

We are working with almost the top ten global education players, which includes Pearson, Penguin, Oxford, Cambridge, almost top ten we are working with almost all of them, only question is we have made inroads with them into India, we have made inroads with them into Africa. Point is, we can look at other regions, but you know some of the regions like developed world, they do not outsource their education part of it, so they do not like for example in US, the education cannot go for another state, so for an example the New York state will not go to New Jersey to print all the education part. Other books they will go out. So those are the areas where we have to look at it also, but yes we are working it almost on the top publishers.



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- Dhimant Shah:** Thank you so much.
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- Moderator:** Thank you. The next question is from the line of Abbas Ratnani from Ambit Capital. Please go ahead. Mr. Ratnani, please go ahead your line has been on muted.
- Abbas Ratnani:** Hello. Sir I just wanted to know what your growth targets are in the coming year and what is the revenue growth which we are looking forward in the coming year to come one to two year down the line?
- Mukesh Dhruve:** I mentioned in the beginning, I do not give forward-looking. The company does not give forward-looking statements, but we have grown almost at 17% year-on-year if you look at the nine months and we expect that to happen. In the first nine month itself we are close about 300 Crores as compared to 345 Crores what we did last year, so definitely we will achieve those numbers, but I would say there is a good amount of growth happening overall.
- Abbas Ratnani:** Right sir and coming to debt equity you said that you have net debt of around 130 Crores I just wanted to know what is the gross debt in cash levels as on third quarter?
- Mukesh Dhruve:** Unfortunately I do not know the number can I e-mail those to you?
- Abbas Ratnani:** Since you said, your target is of topline of around 650 Crores if I am not wrong.
- Mukesh Dhruve:** We have build up a capacity where up to 650 Crores we do not need any new capex. It is the amount of 650 Crores topline will not be new capex for building capacity. The question was how much capex will need in the two years I said, we will not need any new capex except the routine capex of 10 to 15 Crores till we reach the amount of 650 Crores after 650 Crores we have to think differently.
- Abbas Ratnani:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rajeev Bharti from Destimoney Securities. Please go ahead.
- Rajeev Bharti:** Could you please tell me what is the volume growth this quarter in terms of if you knock off the currency impact?



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- Mukesh Dhruve:** We do not look at this like that, but if you all looking at absolute number of books and number of books that we deal in the first nine months has compared to this has almost grown about 15% and currency again as I mentioned, the currency differentiation comes in the national thing that we provide in it and I do not think the routine business has not seen in any which way has worked unless you take the inflation into account, but I would say overall the business in terms of volume has grown by 15%.
- Rajeev Bharti:** Why I am asking the question is because till next quarter also the growth will be, the currency movement will be significantly impacting the net impact on the topline, but as we moved onto the first quarter of next year and forward, the currency impact will followup, so the projection for that next fiscal will take a hit, I am wondering whether you know the topline growth will sustain at the level?
- Mukesh Dhruve:** We do not see that is the issue. To be honest because based on the currency what that is in you do your costing and unless you do your budgets. For example if dollar was Rs. 45, we would be costing at Rs. 45, till it becomes 53, we will do it at 53. I do not think that changes too much, because on the contrary if the rupee becomes stronger even it is good for us because weaker it is better for the exporters. Rs. 55 or Rs. 56, we will become very, very competitive in the outside world. I mean you should look like that then you will Rupee at that level, unfortunately people I do not know how you would look at Infosys or a Wipro in terms of currency. I used to give growth in all of those companies.
- Rajeev Bharti:** As you mentioned that you have reduced volume on some of the low yielding books?
- Mukesh Dhruve:** That is the right.
- Rajeev Bharti:** What is the part of outsourcing which have you curtailed?
- Mukesh Dhruve:** Outsourcing in fact is a good set because sometimes you get order which have too larger you cannot execute in the timeframe that you have got. For example you get an order where you need large volumes but in spite of full capacities if the time is immediate we need to outsource sometime, which is the good sign. I was putting it like this there are two options available to you that once your marginal costing would you like to take business which are giving a very low margin, but just to fill up your machine you keep on doing it, which we are seeing no now, we are looking at higher margin business, looking at better margin business. For example, we used to do magazines for number of years, because of the

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relationship we have but we have to politely get out of the business, because they do not add any value in the business, you get a paper which is supplied by the client, we just do the printing part of it, there is no barriers your topline goes up, but the bottomline does not up at all. So all we are trying to say is lot of this non-profitable business, all I would say low margin business is something, which we want to get out of it and focus on the profitable businesses, rather than only focusing on volumes you have to focus on how to improve the EBITDA margins, how to improve the PAT, how to improve the stakeholder value rather than just focusing on a number which is only the top number.

Rajeev Bharti: Can you quantify what percentage of business, which was high volume low yielding and which you are planning to get out of it?

Mukesh Dhruve: Almost about 10% of that what we are doing almost 10%.

Rajeev Bharti: Thanks a lot and good luck.

Moderator: Thank you. The next question is from the line of Bhavesh Jain from Sushil Finance. Please go ahead.

Bhavesh Jain: Good evening sir. Can you let us know, what the business we are drawing from Surat, Navi Mumbai and Chennai and what is the installed capacity over there?

Mukesh Dhruve: If you look at the just the quarter first, in the quarter we have done in Surat we have done a business at 48.86 Crores as compared to 39.85 Crores last quarter, so there is a growth of 23% from 39.85 Crores has grown to 48.86 Crores. In New Bombay we have done a business of almost 44 Crores compared to almost 44 Crores, Chennai compared to last 4.26 crores we have done 3.49 Crores, so there is a bit of reduction in the Chennai business.

Bhavesh Jain: What is the installed capacity over?

Mukesh Dhruve: Let me give you the yearly figures also. In the nine months comparable in the first nine month, in Surat, we have done a business of 134 Crores as compared to 112 Crores last year, Navi Mumbai we have done business 144 Crores as compared to 131 Crores last year and in Chennai we have done a business of 12.56 Crores as compared to 5.22 Crores in the last year. So these are growth in Surat by 19%, Navi Mumbai there is a growth of 9% and Chennai there is a growth of 140% if you take the comparable quarters. So if you look ask about the capacities between the three places very comfortably you know we can do

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business of 650 Crores as I mentioned. If you take a breakup between the three of them we can do comfortably a business of about 300 Crores in Surat, between 300 and 325 Crores in Navi Mumbai and close to about 25 to 30 Crores in Chennai.

Bhavesh Jain: Thank you.

Moderator: Thank you. Sir we have no further questions. Would you like to make any closing comments?

Mukesh Dhruve: Ladies and gentleman, my dear friends and stakeholders, thank you so much for participating in this concall and I always look forward to your questions. As usual they are very interesting and very intriguing also. I thank you for showing so much of interest in Repro India. I would like to just close by saying that it has been an exciting quarter for Repro India and we look forward to another exciting quarter, which will of course be the last quarter and we find that the business is growing very, very fast. As I mentioned in the course of conversation with all of you, education is something which is very close to our heart and making a good business sense both in India and outside India. It is growing at a very steady pace. My only request to all of you is please do not keep on looking quarter-over-quarter, six months over six months look at the really numbers, we will not disappoint all of you as a company. All of us as you know all the four promoter Director and Dr. Khara who has joined us, Pramod Khara who is the Managing Director of Aptech has joined us. So we are five Wholtime Directors with an excellent external board of directors. We are all working together and we see a good amount of growth happening. Look at the year-on-year figures and none of you will be disappointed. We have a very good dividend policy into place. We have fantastic growth numbers that we are looking it, there are new areas we will be working on, the new education segment, which is growing very fast, we are looking at all those numbers and it is going to be exciting period for education in India and outside India. Thank you so much and see you in the next quarter.

Moderator: Thank you. Ladies and gentlemen, on behalf of Repro India that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

