

May 31, 2016

To,
Mr. Sanjeev Kapoor,
General Manager,
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Bombay Stock Exchange Limited,
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K/A: Mr. Shyam Bhagirath/ Mr. Troydon Bird.

Mr. Hari K
Asst. Vice President,
The Listing Department
National Stock Exchange of India
Bandra- Kurla Complex,
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Mumbai- 400 051
(Scrip Symbol – REPRO)

K/A: Ms. Pramila

Dear Sir / Madam,

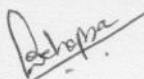
Sub: Transcript of the Conference Call held on May 27, 2016.

Please find enclosed the transcript of the Conference Call conducted by the Company on May 27, 2016.

Kindly acknowledge receipt.

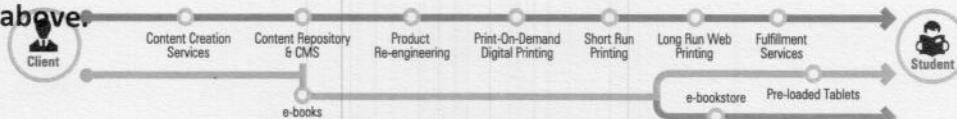
Thanking you,

Yours faithfully,
For **REPRO INDIA LIMITED**


DIMPLE CHOPRA
COMPANY SECRETARY &
COMPLIANCE OFFICER
ACS: 21392



Encl : As above



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“Repro India Limited Q4 FY16 Earnings Conference Call”

May 27, 2016



**MANAGEMENT: MR. MUKESH DHRUVE – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER, REPRO INDIA LIMITED
MR. PRAMOD KHERA – EXECUTIVE DIRECTOR, REPRO
INDIA LIMITED**



- Moderator:** Ladies and gentlemen good day and welcome to the Repro India Limited Q4, FY16 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and 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 ‘*’ and then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Mukesh Dhruve. Thank you and over to you sir.
- Mukesh Dhruve:** Good evening everybody, once again thank you for coming for this con call of Repro India Ltd. I welcome all of you. I would just like to say that we had a very long board meeting and it got over around 4 o’ clock after which I think we uploaded the results. Some of you must have just got the results, so what I will do is handover to my colleague Pramod who will take you through the whole presentation which we have mailed to all of you and after that we can come to questions and answers. I handover to Pramod now.
- Pramod Khera:** Thank you Mukesh and good evening to all of you. As Mukesh mentioned there has been a delay and I would like to apologize for the delay over start of this conference call also, so that was due to the prolonged Board meeting that we had. We hope that all of you have got the results along with the presentation which we have sent across and I will go through the presentation a bit slowly because you might not have had a chance to go through it. So, starting off with the financial results, the executive summary the first slide to I look at the quarter 4 strategic results, before we understand the results we need to, I would just like to highlight what were the key objectives during the quarter.
- As many of you would be aware there are two new businesses that we have been investing in, one is the E-Retail business and the other is Rapples business and then we have our traditional business which is the printing business. So, for each one of these we put on what the key objectives during the last year what we had and particularly last quarter. So, on the E-Retail side we wanted to invest and explore the opportunity and lay the platform for a growth in the future. Rapples again investing and moving towards break-even. As far as the traditional business is concerned, the focus was on consolidation of the right customers, so that our receivables are secured and we are focusing on a few customers by doing a large business with them. Focus on financial consolidation, cash flows and collections. Since our debtors had mounted to quite a high figure we had deliberately focused ourselves that we would like to reduce this debtor and improve the cash flows and as a result of which also reduce the debt. Focus on improving the financial ratios and reduction of expenses, so these were the focus areas for the traditional business.
- Moving onto the next slide, so first of all let us talk about E-Retail. Now E-Retail is an opportunity that we had outlined in the last two quarters I think where we are talking about actually collecting titles into a repository from the publisher, book titles, the soft copies, setting



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up a one book factory and listing these books on E-Commerce channels like Amazon, Flipkart, etc. so that when the order comes we pick up the soft copy of the title from the content repository and print it in a one book factory and dispatch it to the customer within 24-48 hours, so that is the business model that we have invested in, we have put into place. Investments are almost complete now for the phase-I where today we have a capacity to do almost 2000 books per day, around 15,000 books per week. Now these investments have been fully expensed out. Now this is an integrated production line, integrating it with the E-Commerce channels as well as at the back end with the content repository and with our partner which is INGRAM, so this has been tested out fully successfully and with our partner which is INGRAM we have signed up as you have been informed earlier, a 2-way relationship one is getting international titles into our repository for selling in India and second is taking the Indian title and giving it to INGRAM for global distribution. So in India more than 40 publishers we have signed agreement with for acquiring the titles plus we are getting a feed from INGRAM now. In our repository we have over a lakh of titles and this is growing every day. These titles have been listed on around 6 to 7 E-Retail channels and we have started getting orders and started executing orders to the tune of around 1000 books per week. So this is the progress as far as the E-Retail book business is concerned.

On Rapples coming to next slide, investments have been fully completed and have been fully expensed out. We have 40 to 50 publishers on board with their content; we have deployed solutions in different boards to different schools close to 20 schools and this current year, 2016/17 we are well on our path to breaking-even in this business and no further investments which are required.

The traditional business the next slide, as you would have seen from the results there is a decline in the top line. The top lines were showing as Rs. 79 Crores which is almost Rs. 10 Crores less than the previous quarter. So which is due to our conscious strategy of being very careful in selecting the business that we would like to do. We have mentioned this in the previous conference call also and we have said that we would not do business where our moneys are not secure and today for example, we had around Rs. 20 Crores worth of business in hand but we have not agreed with it because we do not have the payment secure. So as a result of which there have been obviously a drop in the total revenues, the total turnover for the quarter. So this is one part of it, the second aspect is that we also said that because of the slow movement of recovery of outstanding and because of our strategy to work only with customers whose business is secured, the payments are secure there have been certain amount of non-moving raw materials, work in process, finished goods which was in the system which we said there was a one-time we would like to just expense this out, so around Rs. 10.5 Crores have been expensed out as a one-time expense. Also, looking at the debtors we have identified around Rs. 6 Crores worth of debtors which we feel could be doubtful not necessarily bad debtors but we do not know when we will realize this because of the conditions in the country, these are mainly from Africa especially Nigeria, as you might be aware that the FOREX



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position in that country is under a lot of stress and while we have auctioning from some publisher in this country and they want to pay us the money, they have remitted in the local currency to the local bank for payment to us but because there is a shortage of foreign exchange in the banks these are being chewed up and we do not know when the bank would be able to release the dollars to us. So we have decided to take some of this approach to make provision for some of these debtors and later on if we realize then we will be reversing this. So these 2 expenses; Rs. 10.5 Crores and Rs. 6 Crores is a one-time hit that we have taken in the quarter. This has resulted in the loss of almost Rs. 13 Crores, though if you look at the traditional business as a whole for the year; it is showing a positive EBITDA of Rs. 27.44 Crores. Now if you were to add that this one-time hit that we are talking of, then definitely the EBITDA would be much better and would be close to the percentage that we have been achieving over the last year or so, in fact the PBT have we not taken this one-time in schedule even with the reduced turnover of Rs. 79 crores, we would have done around Rs. 60 lakhs of profit. So this is what our conscious strategy we have implemented and taken a very conservative approach as far as our traditional business is concerned.

So as the result of which, if you go to the next slide, our deter days have reduced from 157 days to 141 days, our current ratio has improved from 1.02 to 1.30 and our total debt, long term to a short term put together has come down from Rs. 196 Crores to Rs. 170 Crores. So this is part of the overall financial strategy that we adopted over the last couple of quarters which has resulted into better ratios on the balance sheet but there are some one-time provisions that we have to make as I have explained in the previous slide. Going forward there is, because we have reduced our business obviously we also are still looking at our cost very minutely and we want to rationalize the cost for an intense exercise if underway, we are looking at reduction of fixed cost and the impact of this you will see in the coming quarters. We are also focusing on improvement of efficiency, reduction of wastages which all this should be result in better profitability going forward in the coming quarters. So this is as far as the results are concerned, I would just like to spend a few minutes on the overall business strategy. So if you look at the publishing industry, the next slide talks about the disruption which is happening in the publishing industry, the traditional module is facing huge challenges and the publishers are struggling to adapt to the new way of doing businesses, customers are moving to the digital platforms and for how the outcomes of this disruption and how we are responding to the same, I will discuss in the subsequent slides. So first of all if you see internationally, the disruption is affecting the publishers and they are consolidating the world over, smaller publishing houses are merging with larger multinationals. Warehousing is, I mean publishers are moving away from the warehousing models because large inventories are becoming difficult to manage and commercially unviable. As far as customers are concerned, they are so timed to market of customer is reducing because of E-Commerce. So the age old distributions models are being challenged, so digital platforms are being set up for content, for distribution and for production. Similarly, in India also, there is a turmoil in the industry; while the industry is slated to grow at around 19% in the coming years it is impacted by various



aspects, one is piracy second is the cost of raw material, third is the distribution network where the longer credit cycles are being demanded and the issue of outstanding returns and creditors are increasing from 90 to 180 days. So these are some of the things which are happening in the industry.

Going to next slide and this has been taken from the Nielsen Book Report which was released in October last year. India is a bright spot for the publishing industry with a 19.3% CAGR growth for next 5 years which has been projected increasing literacy rate and government initiatives are helping this industry. Outsourcing to India is also increasing but in India also there is a churn which is happening in the industry, mergers are happening, acquisitions are happening. So, examples of Sultan Chand, Lakshmi Publications which have acquired smaller publishing houses or divisions of certain publishers, so there is a churn which we are seeing in the Indian publishing industry also.

So, how are we responding to it, the next two slides we are talking about that in fact? So, first and foremost investing in the E-future, transforming a business model and consolidating the current business and some of the impact of this I have already described in the quarter 4 results and what you can expect in the coming quarters, focus on receivables and cash flows even at the cost of turnover. And therefore, we are seeing in this quarter where our turnover has reduced by almost 10 Crores. And cost reduction, so that we will become more competitive and we are able to be more flexible and nimble. Then again changing the services and infrastructure, where we have set up a content repository for clients, manufacturing customizations, right from a one book factory to the capability to manufacture a million books and the digital distribution which is also now gaining ground in India with the rise of the E-Commerce channels, how are we adapting to offer this service and this is given in the next slide, where we are talking about the E-tail segment and which I explained initially what we are doing in the E-Retail segment. Now, once any publisher who moves towards this platform, the advantages that accrue to the publisher includes zero inventories, zero obsolescence, zero book returns, zero freight costs and no upfront investments because the platform has been created by us and they can just come onto the platform and be on the digital distribution network.

The next slide which talks about our traditional business of Africa and India, conservative student approach, Africa objective to consolidate and retain the best customers but only work when funds are secured. In India more and more again we are moving towards doing business for MNC publishers, so that our receivables are secured, plus we get timely payments and also getting empanelled on the MNC global procurement platform, so that we can bid for global contracts to be executed from India. Rapples is going on steady and we have been increasing number of schools, number of students, what we have found is that going to the educational institutions with the publishers because they already have in roads in those distributions. It is more productive and successful for us and we are seeing that with Cambridge we have tied up



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there are more than 250-300 schools which are using Cambridge materials, exclusively. We already have around 7-8 of them on the Rapples platform which is growing, so similar strategy we intend to pursue with other publishers who have strong hold in some of the schools in certain regions of the country.

E-Tail, I have again explained that the initial investments are complete in terms of infrastructure and we are there live on channels. Proof of concept has been done. More than a lakh of titles in repository and we are servicing a demand for overall 1000 books per week. That is where we are and I think that covers the entire strategy along with the financial results of quarter 4.

Now I will open up the conference call for questions from the participants. Thank you.

Moderator: Thank you. We will now begin the question and answer session. We have a question from the line of Rahul Bhansali. Please go ahead Rahul.

Rahul Bhansali: Could you give the order book for right now, for the 1st quarter?

Pramod Khera: For the first quarter if you look at business from India as well as Africa, the order book is quite healthy; it is more than Rs. 60 Crores.

Rahul Bhansali: And if you compare it to the 1st quarter last year then? What would that number be?

Pramod Khera: It would be similar.

Rahul Bhansali: So, this onetime expense for the inventory, could you explain that a bit more, as in why did we have to write that off?

Pramod Khera: So, see the point is that since we have taken a conscious decision to not to accept business which is not secure and whatever inventory that we had created to service customers from the market like Africa, etc., and certain amount of WIP which was created to service that market, we said that there is no point in holding onto that if we are not going to do this business, so see as I explained in my presentation earlier, this onetime expense we said that we should upfront do it, so that we do not burden the balance sheet unnecessarily, while the business is still profitable as I explained and we still have a positive EBITDA, in fact looking at this the board recommended that we should propose a dividend of 30%, in spite of showing a loss for the year. So, that shows the confidence of the board that the business is good, it is profitable and this is a onetime hit that we have taken but going forward the company should be able to turn around and show better results.

Rahul Bhansali: And do you see FY17 to be similarly challenging?



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- Pramod Khera:** FY17 while the business yes is challenging, like I explained the major disruption which is happening in the industry but this sort of a loss that we have shown this is because of a onetime hit that we have taken. And this type of a onetime hit is not going to be repeated in the future. The traditional business, so the overall turnover might not really increase compared to the previous year but we would be doing business which has decent margins and where our financial this thing is secured. At the same time as far as new businesses are concerned, like I mentioned Rapples would breakeven so there would not be any losses coming from E-Retail and there would be a top line coming in from the E-Retail business also which would be growing week on week and month on month and that should also add to the top line of the company in the current year.
- Rahul Bhansali:** And Sir, on the Rapples front could you explain how we would break-even with the number of schools that we have right now?
- Pramod Khera:** Yes, see like I said the investment phase is over, so till now we had been investing and we had been expensing it out from the P&L rather than capitalizing it. So those expenses will not be there, so it will be just operating expenses. Now operating expenses per school obviously these are paying students and the way we have structured the arrangement with the school, obviously each school will be a profitable school and also in terms of marketing expenses if we are going to follow the strategy which I explained where we are going to work along with the publishers, we are not going to spend a lot of money for marketing. So with a few more schools coming in our fold, we should be able to reach a position of break-even pretty soon.
- Rahul Bhansali:** So per school we would generate how much in revenues?
- Pramod Khera:** It depends on the number of students and the type of the solution that we have provided to this school.
- Rahul Bhansali:** But would you say that 15 to 20 lakhs per school would be a good number to look at?
- Pramod Khera:** I would say that typically a school on an average as far as Rapples is concerned will have anywhere 200 to 400 students.
- Rahul Bhansali:** 200 to 400 students for each school and we charge them around Rs. 300 per month per student, right?
- Pramod Khera:** It varies from school to school but it could be in that range but some schools like I said where we have implemented and where we got more than 700, 800 students then we are realizing the type for revenue that we mentioned from those types of schools.
- Rahul Bhansali:** In terms of Rapples, are we facing any issues in terms of scaling up the business very fast because it seems like our competition has been able to get into hundreds of schools in a short



span of time, so are we looking at proof of concept first and then do we plan to scale up in a big way or is it something else?

Pramod Khera:

No, see if you look at the way we are implementing the Rapples Solution in schools, we are not an education technology company. We do not have an Ed-Tech platform that we implement in schools. Now many of the competitions that you mentioned, so called competition to Rapples, they are Ed-Tech companies, so they give a platform to a school, a technology platform and then they get the entire school for usage that is how they have been able to move forward; however, these companies also if you see beyond a certain point they stagnate. They are not able to really take it forward whereas what we are doing is; we are giving a comprehensive educational solution to the school, educational solution rather than technology solution. Now for that solution to be effective and for the school to see the impact of that they have to go through a full cycle where they see how the performance of the students is improving when they start using certain aspects of solution and as they go along, they start using more and more aspects of solution. So that is why we were gestation that happens and that is how the schools are moving and progressing. So we have been selective in taking on schools which are clear that they want to look at the solution which is a long term solution, it would benefit them, the overall education delivery.

Rahul Bhansali:

Okay, still sir for Rapples to contribute at least 10% to our revenue base, due to think it would take at least a couple of years to reach that level?

Pramod Khera:

I would not like to put a timeline or number to this, like I said first objective this year is to reach a breakeven and which we will definitely do and then we will see how it can start contributing more and more to the top line and bottom line of the company.

Rahul Bhansali:

And finally Sir on the E-tail part we have produce 8000 books per day, right?

Pramod Khera:

No, 2000 books per day. To ramp it up to 8000 is not very difficult, so right now what we have invested is with minimal incremental investment we can take it up to 8000, what you suggest is right 6000-8000, yes.

Rahul Bhansali:

And do you see that kind of ramp up in the next one year or so, or do you think that is far down the line?

Pramod Khera:

Again I would not like to put a timeline or number but globally what we have seen is that there are, in fact if you see on channels like Amazon and Flipkart in India, the number of books which are being sold per day is 20,000, 30,000, 40,000 books per day and overall if you see the entire ecommerce platform in India, more than 2 lakh books are being sold per day, so let us see how much of that market we can capture.

Moderator:

Thank you very much. Sir at this time there are no signals for question.



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Pramod Khera:

If there are no more question then we would like to close this call. We would like to again to thank everyone who is present over there and once again our apologies for sending out the presentation and results late because of the board meeting being extended till around 4 o' clock. Thank you very much.

Moderator:

On behalf of Repro India Limited that concludes this conference call, thank you for joining us and you may now disconnect your lines.

