

Transcript**Conference Call of Repro India Limited****Event Date / Time** : **14th October 2008, 4 PM IST**

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Moderator:

Good evening ladies and gentlemen. I am Gopal, moderator for this conference. Welcome to the conference call of Repro India Limited. We have with us today Mr. Mukesh Dhruve, Director of Repro India Limited.

At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Mukesh Dhruve. Please go ahead sir.

Mukesh Dhruve:

Good afternoon everybody, I am Mukesh Dhruve from Repro India Limited. I welcome you to this con call and I thank you for participating in this. I would just like to inform since I have already spoken to most of you. Repro India is on a growth path and we continue doing so. I had answered a lot of questions and lots of same questions have been repeated, so I at the cost of repetition answered these specifically. We have given an indication that we should be disappointed if we don't grow 30% as compared to our last year's figures. Last year our total turnover was 155 crores and we are expecting to grow at around 30% and our focus has been to improve the operating margins and that is where we are going to concentrate and focus. The current quarter results have already been shared with everybody, for the quarter which we just announced for Q2 there has been a 43% growth in revenues, from 44.33 crores to 63.53 crores. There has been a growth in operating margin of 48%, from 7.45 crores to 11.02 crores and the PAT has grown by 10% from 3.89 crores to 4.26 crores. As far as PAT is concerned one would like to clarify that the PAT growth actually was at 63% at 6.36 crores, it has been reduced by 2.09 crores due to our national loss on account of foreign exchange provision, on loans we have taken for further expansion of our Surat plant. As all of you are aware accounting standard 11 has now made provisions that any notional loss on account of foreign exchange had to be debited to profit & loss account. A lot of people have taken a different view. Large

Corporates in India and I am sure all of you are aware of those Corporates and very, very large reputed Corporates have taken the view that based on the Justice Shri Krishna's judgment in the supreme court as well as what Justice Sagale has done in Bombay, this could have been capitalized to the capital working process happening in Surat, but we took the other way of accounting standard 11 and debited to profit & loss account. As a result, the growth is just on a 10%, which otherwise would have been 63%. The figure would have been 6.36 crores instead of 4.26 crores.

As far as the half year highlights are concerned because the half year has also closed on 30th September, there has been a 35% growth in the revenues from 81.16 crore to 110 crore. Operating margins have grown at a very good pace at 47% from 13.65 crores to 20.12 crores and the PAT has grown 36% from 6.92 crores to 9.1 crores. This is after of course a provision of that 2.09 crores, which we have done. I welcome any question from anyone of you.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing hash key.

First question comes from Vinay Bhandari of Enam Securities.

Vinay Bhandari:

Hi sir, Vinay here. Congrats on the good set of numbers. I just wanted to have a view that this foreign exchange loss, it cannot be hedged earlier?

Mukesh Dhruve:

It can be hedged earlier, only point is, as far as this exchange is concerned, we have a natural hedge because of our exports. We have almost 60% of our turnover coming from exports and we have a natural hedge, however, you know the accounting standard 11 does not take into account the natural hedge.

Vinay Bhandari:

No, but sir the one point is your order cycle must be of three months or one year?

Mukesh Dhruve:

Depending on the particular order that you get, most of the orders would be less than three months.

- Vinay Bhandari:** Less than three months?
- Mukesh Dhruve:** Most of them would be less than three months.
- Vinay Bhandari:** Okay, so we have taken a short-term view on that, our borrowings and all that?
- Mukesh Dhruve:** It is not a short-term view; I mean you know our auditors are Ernst and Young.
- Vinay Bhandari:** Because in three months you must have booked your revenue on that railing rate right sir?
- Mukesh Dhruve:** That's correct.
- Vinay Bhandari:** Okay.
- Mukesh Dhruve:** Yes I have done that. I have done a normal forward cover ,every quarter I would do it, but these loans are over the period of five years.
- Vinay Bhandari:** Okay, fine sir, thank you.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Ms. Neha of Angel Broking.
- Neha:** Hello.
- Mukesh Dhruve:** Yes Neha, good afternoon.
- Neha:** Sir I just wanted to understand your raw material cost has gone up as a percentage to sales, so did you see any an increase in paper cost and other increase?
- Mukesh Dhruve:** There has been a marginal increase in paper prices, but most of it have been passed to our customers, I have told you, ours is a cost plus costing always. We have been able to pass most of it to them, but there are some other raw material costs. Paper is a major raw material cost, which we have been able to pass on, but other raw material like ink and other consumables have seen a marginal increase, which we are not able to pass it to the customers.
- Neha:** Okay and sir there is a drop in your OPM this quarter, so what would you attribute to that, I mean, why is there a drop in the OPM?
- Mukesh Dhruve:** I think there is no drop in the OPM if you see that, I don't think there is a drop in the operating margins because

operating margin in fact has grown at 48%, quarter on quarter if you take it has grown at 48% and if you take the half year has also grown at 47%. The operating margins have grown in Q207 we were at Rs 7.45 crore, which has become Rs 11.02 crore.

Neha: Sir but as a percentage to sales, your operating profit margin has gone down.

Mukesh Dhruve: Neha I will have to check this. I can't pass any comment on this; we will confirm and come back to you.

Neha: Okay that will be fine sir. Can you tell me why your interest cost this quarter has gone up from last quarter it was about 0.8 crores and this quarter it is about 1.69?

Mukesh Dhruve: Yes, two reasons for this. Reason number one is that the turnover has grown up, from 45 crores it has gone to almost 62 crores, so there has been more usage of the working capital and second is our Surat capital work has started, so we have started that portion which I had said last time, we are going to take up a \$7 million of loan, from the \$7 million dollars of loan almost about \$5.5 million have been disbursed already. This cost has come on that Surat plant also. Major reason could be Surat as well as growth of the top line.

Neha: Okay sir, right now what would be the debt on books?

Mukesh Dhruve: The working capital is at 45 crores and the long term debt is at about 28 crores.

Neha: 28 crores.

Mukesh Dhruve: That is correct.

Neha: Sir going forward would we see an increase in working capital for us?

Mukesh Dhruve: Yes we will see increase in working capital with the increase in the top line and the working capital cycle will become longer, see our original borrowings were in the range for the turnover of about 45 to 50 crores now the top line has gone to 62 crores, definitely with increase in the top line the working capital will increase.

Neha: Sir, in this entire debt what would be our foreign currency debt?

Mukesh Dhruve: The entire 28 crores is foreign currency alone, for the capex that we have done. In working capital, there is a mix

basically of rupee and foreign currency, most of this would be what you call the packing credit limit.

Neha: Okay, and sir like going forward, would there be any problems in raising working capital because of the liquidity issues that are there in the market right now?

Mukesh Dhruve: On the contrary, because this \$7 million as you can see, we have not disbursed the whole loan, and the funds are available to us any point of time. We are dealing with Standard Chartered Bank and in fact they have offered us at present also another \$10 million dollars if we are going for further capex, which we are not drawing at present. I don't see any liquidity issues happening in our day-to-day business.

Neha: Sir what would be the cost of debt for the fund that you have got?

Mukesh Dhruve: It is at Libor plus 350 basis points.

Neha: Okay fine, and sir what would be your target OPMs, I mean, the operating profit margins, what would you look at sir?

Mukesh Dhruve: We had always said that with our growth in exports, focus is to improve the OPMs and OPMs will be at 18% levels. Our target is to reach as quickly as possible to 20% to 22% levels and that is in fact going to be our focus area of taking OPMs to 20% to 22% and we can see a path in this that this 20% to 22% coming way forward we can improve on that also.

Neha: Sir can you tell me what initiatives would you be taking to improve these OPMs like where would we see the cost reductions?

Mukesh Dhruve: Yes, there are three specific areas where we can see this happening. One is getting better realization from our customers because we can see we are getting much, much better realizations. See most of the people I think in India have a feeling that India gets exports only because of the cost advantage. My view is exactly contrary to that I think Repro India is getting business because of three reasons; reason number one is the quality of the goods that we are supplying to the world today. Reason number two is the time that we are able to deliver. In this business time is very, very crucial and third and important thing is the service level. We have finished almost two to two and a half year of cycle time with most of our large publishers over the globe. It could be the McMillan, Pearson, Longman, Oxford, Cambridge, you name it and we have

started a relationship with them. After we have satisfied these three conditions, the fourth and most important is, in printing, most of the people again think that there is manufacturing only, our feeling is that less than 50% is manufacturing, the balance portion is towards the service of the elements, understanding the customers, understanding their needs, and the service level that we provide to them. And this is what really contributes to the top line and I don't think cost is the only criteria which brings business to India or to Rebro India I would say like this. Because of this we are able to get better realizations number one, number two with our Surat plant which is right now getting operational or the capital work is happening at that plant, by end of this quarter we should be able to finish that first phase of our capitalization that we have planned there then we will be able to do a lot of our exports from Surat and as you know in SEZ you get all the benefits of taxes to your inputs, your inputs are without duties, levies, or VATs and all your exports are without taxes. Now those advantages will definitely add to the operating margin also and third and most important thing is the operating efficiencies. By having large scale economies of buying that we have today, we will be able to improve the operating efficiency also within the system. All these three will contribute to the OPMs growing up.

Neha: Alright sir. Sir another thing what would be the effective tax rate after Surat does come up?

Mukesh Dhruve: If Surat will be totally exempted because it is going to be 100% export right now from there and what we are doing in Vashi or New Bombay in that also we have got some portion of our what you call the software technology park. Average rate of tax rates could be in the range of 20% to 21%. We anticipate that to come down to 15% to 16%. That is our target.

Neha: Sir right now your tax rates at 25%?

Mukesh Dhruve: Not 25%, I think the overall thing is at about 21%.

Neha: Okay fine sir.

Mukesh Dhruve: 21 will come down to between 15 to 18.

Neha: Okay fine, and sir is your Q3 order book, like you have written that it is forming up so I just wanted to know if it is signed and what is the order book and for how long?

Mukesh Dhruve: Right now we are on the 14th of October, which is the first 14 days of October, we have an order book of about 45

crores already on hand, and that will keep on increasing as we progress in this quarter.

Neha: Okay and this is executable over what time period sir?

Mukesh Dhruve: This has to be executed in this quarter only.

Neha: Alright, and okay sir, that is it.

Mukesh Dhruve: Thank you.

Neha: Thank you so much.

Mukesh Dhruve: Pleasure.

Moderator: Next question comes from Mr. Ritesh Poladia of Dolat Capital.

Ritesh Poladia: Good afternoon sir. Sir just wanted to know what is the revenue mix in terms of, what would be the revenue contribution from annual reports, education, and outsourcing.

Mukesh Dhruve: Okay the total breakup of export and domestic is already given, 19.88 crores is basically from domestic business and 38.73 crores is from exports, of this 19.88 the contractual publishing, which is the magazine printing that we do is 1.15 crores, the corporate publishing which is mainly the annual report is at 13.71 crores and education publishing which is the large education business that we do in India is at about 5.02 crores, so this is the total of 19.88 crores, 38.73 crores the balance in export and that mainly through the African region about 15 countries that we are catering to plus UK, US, and Europe.

Ritesh Poladia: Okay that is great and sir what would be the percentage in growth of say annual report and education?

Mukesh Dhruve: Annual report has almost grown about 40% compared to last year, in terms of percentage. Education also should be growing at about anything between 30% to 40%.

Ritesh Poladia: 30% to 40% and annual report growth could be mainly because of number of companies have increased?

Mukesh Dhruve: Number of companies has increased and more than that we have focused on large ticket orders, the big one this year being Infosys which we have done and they have spent quite a large amount, you know, they spent a lot of money on annual reports.

- Ritesh Poladia:** Okay and sir now coming back to the forex loans, what is the amount of loan in dollar?
- Mukesh Dhruve:** \$7 million dollars.
- Ritesh Poladia:** \$7 million and at what rate it would have been booked in the books, I just want to know how this 2 crore can reverse in coming quarter?
- Mukesh Dhruve:** See when we took this loan in July-August in this quarter and when we borrowed, the exchange rate was at Rs.44, as far as we are concerned is, these payments have been directly made in dollars to the foreign suppliers from whom we have bought our goods, lets say no direct impact in terms of cash flow, if we have taken a loan of 7 million or we have paid or will be paying 7 million because right now we have only borrowed... We have disbursed 5.5 million and the balance is getting disbursed.
- Ritesh Poladia:** Perfect sir, sir I just wanted to understand like you must have booked at 47%?
- Mukesh Dhruve:** If I have booked in my book at Rs.44 on 30th September the rate became 47, so the Rs.3 difference in normal circumstances could have been capitalized through capital working process, but we took a decision that we should debit to profit & loss account, because these loans are payable over a period of five years.
- Ritesh Poladia:** Sir I perfectly understand that, I just wanted to know now assuming on December 31st, if exchange rate moves to say 40 then you have a gain of Rs.3 plus Rs.4?
- Mukesh Dhruve:** Yeah we will have a gain of Rs.7 that's correct.
- Ritesh Poladia:** Okay so this would be continuing till you repay the amount?
- Mukesh Dhruve:** That's correct. Either that or the other thing is that there are better accounting standards, which have come in, we are examining those standards also, and we would like to follow the best accounting standard that is possible.
- Ritesh Poladia:** Okay and we have not been covered under AS30 as of now?
- Mukesh Dhruve:** No we have not covered under AS30.
- Ritesh Poladia:** Means we have only forward contracts and nothing else?
- Mukesh Dhruve:** That's correct.

- Ritesh Poladia:** Okay, thanks a lot sir.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Sanjeev of Edelweiss.
- Sanjeev:** Good afternoon Mr. Dhruve.
- Mukesh Dhruve:** Good afternoon Sanjeev.
- Sanjeev:** Good set of numbers yet again on the operational front. Sir just how much did we actually spend on the Surat plant, if I remember it was between 30-35, but what is the exact figure?
- Mukesh Dhruve:** The actual amount as on date is 28 crores that is correct.
- Sanjeev:** Okay and any further investments?
- Mukesh Dhruve:** Nothing mega right now. With these 28 crores we will finish the first phase that we have thought of. Mainly on the building side because the building was about 60,000 sq ft, we are just doing some warehousing part of it, but it will not be a very substantial amount.
- Sanjeev:** So it shouldn't increase more than 30 crores is what you say?
- Mukesh Dhruve:** Correct, and at the max 30 crores is the ball park figure.
- Sanjeev:** Okay and so out of \$7 million dollars of foreign exchange debt that we took you said, 5.5 million was disbursed, is already disbursed, so the balance would be utilized for working capital is it?
- Mukesh Dhruve:** No the balance does not get utilized for the capital items only, capital items are on the way to India and they should be coming in this quarter, I mean this month rather, and we should be able to complete the installation part of it by middle November - end November. Binding lines are there, some printing machines are there, they are on the way right now, and they should be landing by end of this month.
- Sanjeev:** Fine sir, any other capex in the current year and existing capacities or...?
- Mukesh Dhruve:** Not in the current year, nothing.
- Sanjeev:** Okay, so I mean we can assume a gross block of around 150 crores in the current year?

- Mukesh Dhruve:** Yes, that is correct.
- Sanjeev:** Okay, sir by what % would our capacity increase due to the Surat plant?
- Mukesh Dhruve:** I will put it like this, in terms of turnover, the Vashi plant is capable of doing about 150 crores and Surat once full capacity comes into place we should be able to do comfortably about 120 crores.
- Sanjeev:** Okay, because if you see the gross block, I mean, FY08 was purely Vashi, so there was 115 crores?
- Mukesh Dhruve:** That is correct.
- Sanjeev:** And you are saying that an incremental 30 crores of gross block we will be able to do our turnover of as much as what we did without...?
- Mukesh Dhruve:** Yeah in that 155 crores, there was a lot of outsourcing that we have done, so we stopped doing outsourcing and that is another reason that the margins go down because we get all the business and then it gets outsourced, the margins are earned by the outsourcing partner.
- Sanjeev:** Sir would the fixed asset turnover be higher in the Surat plant?
- Mukesh Dhruve:** It will be better in fact, much better than Vashi.
- Sanjeev:** Okay, why would that be sir?
- Mukesh Dhruve:** The reason is that a lot of fixed cost and other things which we have incurred at Vashi as we developed it, it is over the last 12 years that we have grown in Vashi and we are doing all kinds of products, whereas now Surat is dedicated only for exports and speciality on books. So this is going to be a single product and this thing which is going to focus only on export, so there will be kind of a specialization and that will be one of the reasons that we will be able to improve on the capital turnover ratio.
- Sanjeev:** Okay, and other machines for POD or?
- Mukesh Dhruve:** No, they are normal offset printing machines.
- Sanjeev:** Okay fine and sir I am sorry I dint hear correctly the last time you had mentioned the debt was taken at Libor Plus?
- Mukesh Dhruve:** Libor Plus 350 basis points.

- Sanjeev:** 350, fine, and sir we have an order book visibility of around 45 crores as of now.
- Mukesh Dhruve:** For the current quarter right now, as on 14th of October.
- Sanjeev:** Fine sir, what about our capex plans for the next two years, have we toned that down because I think in the last call we mentioned around \$50 million dollars.
- Mukesh Dhruve:** That still stays my brother and we are going to implement that, first we wanted to finish Surat and put Surat into play.
- Sanjeev:** Are we looking at setting up capacities outside India or...?
- Mukesh Dhruve:** Sanjeev we are open to that, depending on wherever the company gets an opportunity and which will be in line with our business, we are open to that.
- Sanjeev:** Okay, open to inorganic opportunities as well?
- Mukesh Dhruve:** That's correct, we are open to inorganic opportunities wherever you get it, what is right for the business we will do that.
- Sanjeev:** Right, fine, thank you so much.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Nikhil Gala of MF Global.
- Nikhil Gala:** Congrats sir for a good set of numbers, mostly everything has been answered, but only one thing that I wanted to ask you is when is the capacity of Surat going to be commissioned?
- Mukesh Dhruve:** By end of this quarter, by December we should be done with the first set, we should be able to get a fairly good commercial production in the last quarter of this year.
- Nikhil Gala:** That is basically in Q4.
- Mukesh Dhruve:** Q4 we should be able to utilize Surat better than what we utilized, right now you can say we have started kind of pilot commercial production and just to test how things happening and getting used to the SEZ environment, and most of the capitalization will get over by this quarter.
- Nikhil Gala:** So basically in Q4 is it safe to assume we will be working at around 40% capacity?

- Mukesh Dhruve:** Absolutely we can do that, we will be doing that.
- Nikhil Gala:** Sir, getting to that, Surat full capacity will do 130 crores of top line right?
- Mukesh Dhruve:** 130 crores of top line that's correct.
- Nikhil Gala:** And total capex done is around 28 crores and another 13 is to be added right?
- Mukesh Dhruve:** That's correct.
- Nikhil Gala:** Okay, thank you sir. I have been answered.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Kunal Bhatia of Dalal and Broacha.
- Kunal Bhatia:** Yeah, most of my questions are answered, just one question on your debtor days if you could let me know that?
- Mukesh Dhruve:** Yes Kunal. Come again Kunal I didn't get you.
- Kunal Bhatia:** Sir Debtor days.
- Mukesh Dhruve:** Oh debtor days, in fact when it is 131 days, which have been brought down to about 119 days. The normal cycle in our industry is about 120 days and that is the credit that most of the publishers would expect from us. Going forward we are trying to target that how we can bring down this 119 days to about 90 days and that is what our target is and that is what we are working towards.
- Kunal Bhatia:** Okay and sir any, just a follow up on the previous questions, sir any cost reduction on the operating side, as you mentioned about your raw materials and any reduction on the cost side?
- Mukesh Dhruve:** Apparently paper use in India is still better than the rest of the world, where it has increased compared to the last year, and again in our business again paper is a add on cost, I mean, we take the cost of the paper and add on all the cost and then give a quotation to the customers, but I will put it like this that we are looking more at improvement in internal efficiency and that is somewhere we can see that definitely we can make an improvement and where definitely will be add to the operating margins. We can see a lot operating efficiencies increasing than what they were last year.

- Kunal Bhatia:** Sir and with your Surat plant what kind of increase in staff expenditure are you looking at for the coming year?
- Mukesh Dhruve:** At present you see we have employed about 58 people and they would be contributing to roughly about, I have a total figure, right now at present the cost is about 25 lakhs per month, quarterly about 75 lakhs, but this is still in the happening stage, these are just the initial employees that we have taken on board.
- Kunal Bhatia:** So this is specifically for the Surat plant?
- Mukesh Dhruve:** Yeah only for the Surat plant.
- Kunal Bhatia:** And what kind of an increase can we see here as in number of people.
- Mukesh Dhruve:** In number of people, this 50 people will become at full capacity, which should be I think roughly anything between 120 to 130 people.
- Kunal Bhatia:** And you mentioned about full capacity would be...?
- Mukesh Dhruve:** Be at 120 crores of top line.
- Kunal Bhatia:** So, would be by the end of this year, is it?
- Mukesh Dhruve:** Mostly by end of this year, or beginning of next year we should be able to employ this people.
- Kunal Bhatia:** Alright, thank you so much sir.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Ms. Harleen of Almondz Global Securities.
- Harleen:** Good evening sir, can you please provide me guidance with respect to the bottom line, which you are looking at, and this year as well as next year?
- Mukesh Dhruve:** This year our operating margins Harleen have been at 18%, as I mentioned sometime back, we are expecting 18 to go to 20% -22%.
- Harleen:** Net margins?
- Mukesh Dhruve:** Operating margins at 20-22%.
- Harleen:** Net margins?

- Mukesh Dhruve:** No, operating margins.
- Harleen:** Your guidance with respect to net margins or it is profit after tax?
- Mukesh Dhruve:** I will put it like this; PAT will be directly proportionate to your depreciation and interest. I do not see the interest going up too much in our business as well as depreciation is a fixed amount, but in proportion you can say if my operating margins are improved by 2 to 3 or 4 basis points then definitely the PAT will have the same level of improvement. It will improve between 2 to 4 basis points.
- Harleen:** Okay fine, thank you sir.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Abhinav Mansingha of HSBC.
- Abhinav Mansingha:** Good afternoon sir. Congratulations on a good set of numbers. Just wanted to understand you mentioned that you have been outsourcing some amount of your business, could you quantify that in terms of percentage in this quarter and maybe the folio last year?
- Mukesh Dhruve:** Last year, we would have done an outsourcing of almost about 30 crores out of that 155 crores and the point in this is that at a certain point of time you get all the business cluttered together and when all the business comes together and the deadlines are fixed so within that deadline you need to deliver, so say for example if you get 10 annual reports and they have to be mailed on a particular day, we will be able to do about 5 to 6 inhouse and the 3 you have to outsource, so something similar happens. Last year we would done roughly about 30 crores of outsourcing, in the current quarter which has just got over we have done about anything between 15 to 16 crores of outsourcing.
- Abhinav Mansingha:** Okay, and could you just talk a bit about the economics of outsourcing as in what kind of margins would you typically share with the outsource printers.
- Mukesh Dhruve:** See if I am earning a operating margin of 18% it straight away comes down by about two to three basis points when I give it to outsourcing, so that is the margin which I share with them.
- Abhinav Mansingha:** I could not understand that, two to three percent...

- Mukesh Dhruve:** If I am earning I have an operating margin at 18%, and my business will give me 18% when I outsource it with somebody else, my margins go down to as low as 15%.
- Abhinav Mansingha:** Okay, so about 2 to 3% basis points.
- Mukesh Dhruve:** Yeah, 2 to 3 % goes away to outsourcing.
- Abhinav Mansingha:** And once the Surat facility is come on board you would expect that the need for outsourcing would essentially get reduced substantially.
- Mukesh Dhruve:** Substantially, we will reduce that substantially definitely.
- Abhinav Mansingha:** Secondly, in the comparable quarter last year, were there any transition gains, I think there was some 90 lakhs which was mentioned, I was looking at some numbers.
- Mukesh Dhruve:** I will just confirm that and come back to you my friend, I don't have that off the curve, I don't have the last quarter, but I will just confirm and come back to you.
- Abhinav Mansingha:** Fine, thank you.
- Mukesh Dhruve:** I have noted your name and number and we will revert back to you on this number.
- Abhinav Mansingha:** Right, thank you that is all that I had. Thank you.
- Moderator:** Next question comes from Mr. Sachin Abhyankar of Motilal Oswal Securities.
- Sachin Abhyankar:** Good afternoon sir.
- Mukesh Dhruve:** Good afternoon Sachin.
- Sachin Abhyankar:** Couple of questions, one thing is since you are borrowing at Libor plus 350, with the hike in Libor, will you be taking a further hit on the interest front.
- Mukesh Dhruve:** No our Libor was fixed only when we took it, so there will not be any increase in that level.
- Sachin Abhyankar:** So the Libor is fixed?
- Mukesh Dhruve:** That's correct, Libor is fixed
- Sachin Abhyankar:** Okay, secondly since you have a visibility of your further next three months normally on the order book, you have your exports; you book on every quarterly basis for hedging for the exports?

- Mukesh Dhruve:** We normally do it for three months and depending on the situation sometimes you even go up to six months.
- Sachin Abhyankar:** This time have you done it for three months or six months.
- Mukesh Dhruve:** We have done for about I think five months.
- Sachin Abhyankar:** Five months? And that would be at around 44?
- Mukesh Dhruve:** That would be in the range of starting between 44 going up to 45.
- Sachin Abhyankar:** When you started this in the month of June, typically you have covered yourself till November.
- Mukesh Dhruve:** That's correct normally.
- Sachin Abhyankar:** And then it is open.
- Mukesh Dhruve:** That's correct.
- Sachin Abhyankar:** Sir what is your working capital cycle now in days.
- Mukesh Dhruve:** In number of days, latest was at about 119 days.
- Sachin Abhyankar:** That is the debtors right?
- Mukesh Dhruve:** Yeah that is the debtors.
- Sachin Abhyankar:** May be including stock then it would be going to around more than 130 days.
- Mukesh Dhruve:** Roughly about 130 days.
- Sachin Abhyankar:** And that is it sir.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Kaustubh of Sharekhan Limited.
- Kaustubh:** Good evening sir.
- Mukesh Dhruve:** Good evening Kaustubh.
- Kaustubh:** Sir I have couple of questions, I just want to know the break up of the top line, in terms of domestic and exports for this quarter and compared to last year's quarter?

Mukesh Dhruve: Okay, this as I have already stated, but I will give you the breakup, in terms of percentage we have already stated in the highlights the percentage breakup between exports and domestic is at 64:36, 64% has been export, 36% has been domestic and if you take same of the previous quarter it was 50:50, current quarter it was 64:36. There has been a big change and the focus has been on export, absolute numbers if you look at it, which I have already said, 19.88 crores is from domestic business and 28.73 crores is from exports.

Kaustubh: Okay, and sir I have got your financial results in front of me, what exactly the other operating incomes include because it does increase by around 60%.

Mukesh Dhruve: Operating income, that is about I think 21 lakhs, right, that is what you are referring to?

Kaustubh: Yeah, 158 lakhs, around 159 lakhs.

Mukesh Dhruve: In fact there has been an exchange gain, from our exports that we have done.

Kaustubh: Okay those are the exchange gains?

Mukesh Dhruve: Mainly the exchange of 109 lakh is due to the exchange gain.

Kaustubh: Okay, thank you sir.

Mukesh Dhruve: Pleasure.

Moderator: Next question comes from Mr. Chandra Kumar Shah of CZ Shah Company.

Chandra Kumar Shah: Hello.

Mukesh Dhruve: Yeah, good afternoon.

Chandra Kumar Shah: Good afternoon sir. I have just heard about thing. I just want to ask one or two small questions. Whatever projections you have predicted last year for your 2008-2009 because half year is already over, do you think that you will be able to make up in the next half year the balance projections so far as the profit and the sales of course I have no doubt, you will make it. What about the net profit?

Mukesh Dhruve: Okay, your answers have self question; I am not going into that.

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- Chandra Kumar Shah:** No, just total I wanted to know.
- Mukesh Dhruve:** Yes, I will put it like this that I have confirmed that the operating margins is something, which you are focussing and we should be able to do anything between 20% -22% by the end of the year and that is the what our focus is. Consequentially, once we start our Surat SEZ which the maximum we will get advantage in the last quarter, we should be able to even get the benefit on the profit after tax. I have not given any specific guideline on the profit after tax figures, for the operating margins we should definitely end up doing anything between 20% - 22% on a top line growth of 30% that we are expecting over last year.
- Chandra Kumar Shah:** The another thing is only a request; I think when our Surat plant is completed when it goes in full swing, I would suggest that at least that some of the top most investors or some of the people, shareholders you should plan a visit by them by arranging first visit to our plant at Vashi and next to Surat in a day , would it be possible?
- Mukesh Dhruve:** Mr. Shah your point is well noted and this invitation can be opened to all the investors who are on this concall and who intend to come there. In a day it would be difficult because Vashi is, as you know, is on a different location so that it is little difficult, but ideally it can be arranged on separate days. At Vashi, anybody is welcome anytime because it is already operational, so anybody is welcome anytime there, if they want to come and arrangements can be made, if you can get in touch with our company secretary, Madhavi Kulkarni who is in charge of these areas of activities. Surat, I would suggest that once the capitalization gets over, which is end of this quarter anytime in the New Year anybody who wants to visit there he or she is more than welcome.
- Chandra Kumar Shah:** Okay, it is a pleasure and all the best for the rest of the year sir.
- Mukesh Dhruve:** Thank you so much.
- Chandra Kumar Shah:** Thank you.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Narendra Shah of Damani and Shah.
- Narendra Shah:** Good evening Sir.
- Mukesh Dhruve:** Good evening.

Narendra Shah:

I have a very small question just for the statistical purpose if you can share what was the average exchange rate that the company earned during 2007-2008, that is, the last year and based on that in the first half year what is the average rate that has been earned and in the balance next six months with whatever hedging or whatever projections that the company is making so the difference between the total earning in 2007-2008 because of the rupee depreciation, how much gain would it come to the company during 2008 and 2009? That is all sir.

Mukesh Dhruve:

Mr. Shah I do not have the figures off the cuff, but I am just giving you the average numbers. Last year, that is, 2007-2008 the average variation would have been anything between 39 to 40. As you know, the dollar was hovering around 38-37. So, based on the forward covers that we have done about 38-39, and I think it is all some one or two quarters we would have even gone up to 40. That has been the average rate. As far as this quarter is concerned, I think, which is end of Q2 we have taken average in the range of anywhere between 41 to 42. I think 42 is what we have earned. For Q3, as I have already said that we have done forward cover in the range of 44 to 45 as dollar is appreciating and so that has been the average rate. As far as heading to the operating on the top line, I would say whenever there is a costing we take our rupee cost and divide it by the rate of the dollar and based on that we always do the forward cover. I would put it like this; we can expect much more business in India and especially to Repro India today than what we have done in the previous years. If we take the dollar in the current rate if what I was referring at 50,000 rupees divide by the rate of the dollars if my rate was coming to say 1.2 or 1.1 dollars, 1.2 dollars last year, this year my rate will come down to almost as low as less than a dollar, so this exchange will give us competitive advantage compared to the rest of the world, and I would put it like this, we are in the business of printing books and that is where our margins are coming from, all we are doing is at whatever rate of exchange that we have estimated if we get that rate or little better than that rate, we are going to do a simple forward cover. For example if I will do my costings for the next quarter if the dollar is at 47, I will do my costings at 47. If I get a forward of 47 plus I will do a forward cover so that I am not incurring any loss on account of exchange.

Narendra Shah:

That is true for that in proportion does your cost also go up?

- Mukesh Dhruve:** The cost does not go because the cost is only in rupees. I am estimating everything in rupee terms.
- Narendra Shah:** Then why do you say that at 47 you would make costing and then at...
- Mukesh Dhruve:** I will put it like this; if the dollar today is say 48 and if my cost is 48,000, my cost to my customer is a dollar.
- Narendra Shah:** Okay, yeah, I get it.
- Mukesh Dhruve:** That 48 was, last year it was 40, 48 upon 40 so my cost will almost come to 1.3 dollars.
- Narendra Shah:** Very true. That is perfect. Thank you sir.
- Mukesh Dhruve:** Pleasure, thank you.
- Moderator:** Next question comes from Mr. Praveen Jalal of Motilal Oswal Securities Limited.
- Praveen Jalal:** Good afternoon sir.
- Mukesh Dhruve:** Yes Praveen, good afternoon.
- Praveen Jalal:** Yes sir, this is a small question on your revenue from exports. In current quarter, the contribution of exports has gone up to 64% whereas it was around 47% in Q1. Above that revenue from Africa has gone up to 95% of exports. So, now contribution of Africa is around 60% in total revenue vis-à-vis 35% in Q1. So is there any over dependence on African region?
- Mukesh Dhruve:** Not really. I would put it like this that the focus is not African region, but I would say we are in about 16 countries in Africa. For simplicity, we have generalized because people understand Africa, but we are in 16 countries in Africa, we are in Nigeria, Ghana, Cameroon, in West Africa; East Africa in Tanzania Kenya Uganda. South Africa and some Sub Sahara African countries like Zambia, Zimbabwe, Botswana, Swaziland and Mozambique. So, we are in about 16 countries and each country is actually different from the other country, and I would say we had catering to all of these 16 countries in Africa plus we are quite well established in UK and US markets. Recently, if you see in my highlights, we have just signed a contract of 2.5 million Euros with one of the largest education publishing companies in Europe for supply of education books to Europe itself. I would put it like this that we are if we take country wise, we are almost in about 22 countries and in 22 countries we are not overly

dependent on any single country, so I would put it that the business is quite well spread and it is not adverse or dependent on any one particular country.

- Praveen jalal:** Okay, thank you sir.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next is a followup question by Ms. Neha of Angel Broking.
- Neha:** Hello.
- Mukesh Dhruve:** Yes, Neha.
- Neha:** Sir, I wanted to ask you what the total investment in the Surat plant.
- Mukesh Dhruve:** Yes, 28 crores as of today.
- Neha:** 28 crores.
- Mukesh Dhruve:** That is correct.
- Neha:** Sir, totally what would be the investment outlay?
- Mukesh Dhruve:** At Surat?
- Neha:** Yes sir.
- Mukesh Dhruve:** At Surat, for the first phase we should not exceed 30 crores.
- Neha:** Okay, 30 crores and sir from this plant we are expecting to make 120 crores when it is working at full capacity.
- Mukesh Dhruve:** That is correct.
- Neha:** Alright. Okay sir. Thank you and all the best sir.
- Mukesh Dhruve:** Thank you.
- Moderator:** There are no further questions, now I hand over the floor to Mr. Mukesh Dhruve for closing comments.
- Mukesh Dhruve:** Thank you very much everybody for being on this concall, and I appreciate all the questions that you had asked and all I can tell you all in the closing comments is that Repro is a growing company, and we are going to grow at the figures that we have quoted to you. Just to give you the last thing is that global perspective. In India printing is still not an industry and the printing is scattered all over. There

are more than 100,000 printers in our country and your company, which is Repro India Limited, is one of the largest first party printing company. Comparatively if you look at it a country like China has done \$18 billion of outsourcing of printing last year and compared with it India as a country has done less than 200 million, so you can imagine that the scope that is there for people like Repro India. I would put it simply that we are almost at the same position where IT was 15 years back. Repro India is at the position exactly at this stage today, and we see growth happening in the times to come. Thank you for participating, and I appreciate all the questions that were asked. One or two or a couple of questions, which I have not answered I will be specifically sending mails answering them on this specific information. Thank you and have a lovely evening all of you.

Moderator:

Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You may disconnect your lines now. Thank you, have a pleasant evening.