

## Transcript

### Conference Call of Repro India Limited

**Event Date / Time** : 19th May 2009, 4 PM IST

**Event Duration** : 34 min 04 sec

#### *Presentation Session*

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**Moderator:**

Good evening ladies and gentlemen. I am Mohana, moderator for this conference. Welcome to the conference call of Repro India Limited. We have with us today Mr. Mukesh Dhruve, Executive 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 key pad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Mukesh Dhruve. You may go ahead sir.

**Mukesh Dhruve:**

Good evening ladies and gentlemen and welcome to the conference call of Repro India Limited. I welcome all of you this evening. We already circulated the highlights of the results yesterday evening, they were on the website also, but very quick summary.

This has been an interesting year for Repro India Limited and the overall impact of the global recession and most of the people feared that there will be a downturn, we have felt exactly the other way around and I tell a lot of our customers that education is recession proof. Education is not affected by the recession that is happening. As you will understand, most of you will have children and none of you will ever compromise on the budget of the education of the children and that has really helped Repro India Limited in getting to what it is. Very quickly the highlights are: In the year 2008-'09 there has been a 58% growth in the revenue from 151 crores to 238 crores, 108% growth in export, which was what the key focus of the company was, 70 crores has grown to 146 crores, exports to domestic ratio, which was our original vision, we have always wanted our company to be 65:35. 65 exports, 35 domestic. The ratio from last to the current year has gone from 52:48 to 64:36. 75% business has come from 29 clients. There has been an 85% growth in the operating margins from 27.56 crores to 50.96 crores. 6% growth in profit after tax, 15.55 crores has become 16.52 crores.

This is however subject to the FOREX losses, which have been shown to all of you. If the FOREX loss of 16.55 crores was not there, there would have been a growth of 127% and profit after tax from 13.99 it would have gone to 31.87 crores. EPS has grown from 15 to 16 and most importantly I think last time a lot of you had asked me about Surat. Surat facility and SEZ facility is fully operational now. Export business has started in a full way. Last quarter we got quite a lot of business, which we could do from Surat. This year, effective from 1<sup>st</sup> of April, I think we will be utilizing the full capacity of Surat.

Another highlight, which I thought I should bring to the notice of all my friends is, Mr. Pramod Khera, the Ex MD and CEO of Aptech, who had been in developing and promoting the education business in Aptech for last more than 20 years has joined Repro India Limited and he has been inducted on the board yesterday evening as an Executive Director. He will be in charge of the new business, which I had even discussed in the last con call regarding the digital printing, or print-on-demand as lot of you know it. This is an area, which is growing very, very fast and we feel this is going to be the niche area of growth in the printing industry. We will be in a very unique position with the print-on-demand being there, where we will be able to supply from one, two, or a million copies to anybody across the globe. If somebody wants one copy, we are there to supply them, if somebody wants 10 copies; we are there to supply them. If somebody wants a million copies, we are there to supply them. So this is going to be a very unique position for Repro India Limited as a company and we see a great future in this year to come. I welcome all of you and I welcome all your questions.

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#### *Question and Answer Session*

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**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 key pad 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 # key.

Our first question comes from Mr. Sachin Abhyankar of Motilal Oswal Securities.

**Sachin Abhyankar:**

Yeah, good afternoon sir.

**Mukesh Dhruve:**

Good afternoon Sachin.

- Sachin Abhyankar:** Sir just wanted to have some doubts cleared on your hedging trend. We believe that you normally hedge for the next quarter, so for the first quarter do we believe that you already hedged at around 50 rupees and everything will come as an income for the first quarter in the current year?
- Mukesh Dhruve:** As I have explained to you last time we have done our forward in the quarter that we have signed the business. So our business for the first quarter has been signed in the previous quarter as well as sometimes even in the second quarter as there are customers who have their delivery schedules, which are fixed, so you get business. As and when you sign the business, we try to do a simple forward cover. We have been covered at 50 rupees, it is not necessarily for the first quarter only, it is even for quarter two and quarter three, whenever we have got the businesses. So there are covers in the first quarter also at 50 and there are covers which are also lesser than 50.
- Sachin Abhyankar:** Yeah, but it means that you have already hedged yourself for the next two quarters?
- Mukesh Dhruve:** Not fully, I would say like this, whatever business we confirm, just to answer this question, because you see we have got our export business and we have got some import, plus we have got foreign currency loans, and interest repayments. So what we do is, we take our total export business, which we signed up, minus our imports, minus our interest cost, whatever is the balance is what we cover. It doesn't make sense to cover what you are importing also. So it is only the net inflow, which you are going to get we will cover.
- Sachin Abhyankar:** And what is the FOREX loan now, which is left in the books?
- Mukesh Dhruve:** 7 million dollars ECB.
- Sachin Abhyankar:** And what is the total debt in the books?
- Mukesh Dhruve:** The loans on debt is only 7 million dollars, and there is a working capital, total sanction limit is 65 crores.
- Sachin Abhyankar:** And how much you utilized?
- Mukesh Dhruve:** Out of this we utilized about 45 crores.
- Sachin Abhyankar:** And that would be around 11%.
- Mukesh Dhruve:** No, much lower than that. It will be in the range of between 9 to 10.

- Sachin Abhyankar:** Okay. And could you throw some light on the debtors position and the cash flow for the current year?
- Mukesh Dhruve:** Debtors is something, which is area of concern, which I sent you yesterday. We wanted the debtors to come down to the range of 120 days, that was our objective. Last mail I had sent you all it was 131 days, so plan was to bring it down to 120 days. However, because of the global recession in other areas, most of the publishers have asked for credit limit of 120 days, which we have given them 120 days and by the time we realize, it goes to 130, 140 days. As on close of 31<sup>st</sup> March we were at 140 days. Now first our aim is to try to bring it down to 120 days, thereafter I think once things changes, I am sure we will be able to bring this down further.
- Sachin Abhyankar:** And any debtors more than 180 days?
- Mukesh Dhruve:** Yes, there are debtors more than 180 days.
- Sachin Abhyankar:** How much will be that?
- Mukesh Dhruve:** Out of the total debt, I think altogether about 15 crores are more than 180 days.
- Sachin Abhyankar:** And any specific reason for it?
- Mukesh Dhruve:** No, these are a mix of Indian publishers and outside publishers, some government grants and other things were to come to them, which have got delayed. Moment they get those money, they will be paid.
- Sachin Abhyankar:** But no chances of any bad debts from that.
- Mukesh Dhruve:** Not really. These are customers who are with us for more than five years. We don't expect any bad debts.
- Sachin Abhyankar:** Okay and how is cash flow position after adjusting working capital now?
- Mukesh Dhruve:** Quite positive. We have no issues on that.
- Sachin Abhyankar:** So the cash flow is still positive in the current year?
- Mukesh Dhruve:** Yes, the cash flow is positive in the current year. I mean, we will be mailing the account which has just been approved yesterday, in the next week or 10 days we should be ready with our annual account and then we will circulate it to everybody. Once we mail it to the share holders, we can give it to all of you. As such, the Annual

Report is available on the web site and you all can go to the web site after a couple of days once we mail to the outside share holders. Our company secretary will keep you informed about this and AGM right now has been planned on 18<sup>th</sup> of July, all of you are welcome for the AGM.

- Sachin Abhyankar:** Okay. And what is the CAPEX for the current year?
- Mukesh Dhruve:** Right now nothing. Whatever we had to do, we have done. Maybe a small amount of a million, 2 million dollars, which will be mostly from the internal accruals.
- Sachin Abhyankar:** Okay. And what is the kind of guidance we should look for the current year?
- Mukesh Dhruve:** We will be disappointed if we grow less than 30%.
- Sachin Abhyankar:** So at least 30%...
- Mukesh Dhruve:** Minimum 25% to 30% is what we expect; I will say 25 to 30%. I am not giving a guidance, but like every time I told you I will be disappointed if we don't do that. Last time also I had given you a guidance of not less than 30%; we have grown at about almost 60%.
- Sachin Abhyankar:** Sure. And what could be the bare minimum margins we should be looking now, since the worst year for FOREX is over now.
- Mukesh Dhruve:** Operating margins should be at least at 20% levels.
- Sachin Abhyankar:** So that's the minimum we should look at.
- Mukesh Dhruve:** That's correct.
- Sachin Abhyankar:** Okay, thanks for all Mr. Dhruve.
- Mukesh Dhruve:** Okay.
- Moderator:** I request the participants to press \* and 1 for your questions. Our next question comes from Mr. Parimal Sheth of Ladderup Corp Advisors.
- Parimal Sheth:** Hi Mukesh, how are you?
- Mukesh Dhruve:** Very well Parimal, thank you. How are you?
- Parimal Sheth:** Yeah. Congratulations on your good results.
- Mukesh Dhruve:** Thank you.

**Parimal Sheth:** But the concern is of the PAT, because of the FOREX losses and there has been some exports incentives that reversal, so what was that all about?

**Mukesh Dhruve:** You see we are entitled to an export benefit called DFIE, which is basically duty-free import entitlement, which we get from the government on our exports. Based on the export we get entitlement by which we can import paper, which is without duty. And these things happened, I don't think you know, but a couple of years back Target Plus, which was offered to us at 15% was reduced to 5%, same way what government has suddenly done is, on 19<sup>th</sup> of February this year they just passed a notification...the customs has passed a notification saying that even if we import paper under this DFIE, that is duty-free import entitlement allowance scheme, we have to pay up CVD, which is 4% and SED, which is special extra duty at another 4%. Altogether there is an impact of 8% on all the paper, which we will import. So what we thought is a prudent thing, rather than just getting this benefit, we write it off, because this benefit as of today is not available. So we said we will write off this 8%, so the incentive which was there, is not going to be there, that amounts to almost about 3.62 crores. So 3.62 crores is something, which we are not going to get this year, so we thought we will write it off. That's the hit which were entered in the profit and loss account.

**Parimal Sheth:** Then this will have some impact in the current year also?

**Mukesh Dhruve:** Not really. Because what we have done is whatever entitlements were there, we removed the entitlements. In the current year, we may not export under this scheme then. Even though it is not very beneficial, we may do under some other scheme. Like we have got DEPB and all that where you get valid returns from the government. We will use alternate export schemes rather than this one.

**Parimal Sheth:** Okay fine. How was your current year performance, what sort of a growth you are looking at?

**Mukesh Dhruve:** As I just mentioned, we will be disappointed if we do anything less than 25% to 30%, we are expecting 25% to 30% level growth.

**Parimal Sheth:** Okay. Are you looking at an inorganic growth also by way of acquisitions abroad or in India?

**Mukesh Dhruve:** We are looking at that Parimal, we are quite open to that and lot of opportunities, which are emerging in India as

well as abroad. In India, Bombay itself there are a couple of companies, South-East there are companies, Middle East there are enough opportunities coming through, in different parts of Africa, there are opportunities, we are looking. And definitely I think the further growth will come through this inorganic methods only.

**Parimal Sheth:** And I think that will be a faster way of...

**Mukesh Dhruve:** Much faster, absolutely.

**Parimal Sheth:** And what sort of margins you are looking going forward, because of the FOREX losses you had a big drain in the PAT margins, but then going forward suppose the FOREX losses will not be affected, in that case what sort of margins you are looking at?

**Mukesh Dhruve:** We are looking Parimal at operating margins nothing less than 20%. We should expect 20%. I don't know if you are aware of it, but world over all the printing companies, earning operating margins in single digits in the measure of 2% to 3%. If you see all the Indian companies, they are hardly in 10%, 11% levels. We have almost arrived at 20%. We feel there is a scope of improvement but right now I think we will be doing at least at 20% operating margin level.

**Parimal Sheth:** Great. And the SEZ benefits has also started coming to you from the current year?

**Mukesh Dhruve:** Yes, it has started coming.

**Parimal Sheth:** Yes Mukesh, thanks a lot. It was nice talking to you and wish you the very best for your future growth.

**Mukesh Dhruve:** Thank you. You have a lovely evening.

**Moderator:** I request the participants to press \* and 1 for your questions. Our next question comes from Mr. Sunil Kothari of Unique Investment.

**Sunil Kothari:** Good afternoon Mukesh Bhai.

**Mukesh Dhruve:** Good afternoon Sunil.

**Sunil Kothari:** Yeah. Congratulations for good performance.

**Mukesh Dhruve:** Thank you.

- Sunil Kothari:** Could you just broadly, I want the particulars regarding this FOREX loss, particularly in this quarter and for whole year. Which is related to revenue and which is related to loans?
- Mukesh Dhruve:** The one which is debited in profit and loss is related to revenue and the one which is not there is not related to that, so the other one now as per the amendment, we can capitalize.
- Sunil Kothari:** Okay. So this 17-1/2 crores...
- Mukesh Dhruve:** What is in profit and loss is the revenue one.
- Sunil Kothari:** This 17-1/2 crores is related to revenue.
- Mukesh Dhruve:** That's correct.
- Sunil Kothari:** So our realization may be at say 48 rupees and we have hedged at maybe 42, so difference is this. So this is basically actual realization unless whatever raising loss is there.
- Mukesh Dhruve:** That's correct.
- Sunil Kothari:** So what do you think as this currency move, maybe from 50 to 45 or whatever, what should be the impact broadly, as a just broad understanding how you explain this?
- Mukesh Dhruve:** Okay. You see, I have just explained this question in the first question itself Sunil, but just to re explain to you, to answer the question number one, we do not worry too much about the foreign currency, which way it goes, whether it goes up or down, I don't think that should be our area of concern. Our area of importance is to do business in the most diligent way. What we do is the moment we sign a contract with somebody, let me give you an example, if today I am signing a contract with somebody, the dollar is at say 47.50, what I will do is whatever we sign up, we take 47.50 minus our imports what is happening for that month minus our expenses on interest on installments of foreign currency. So the net balance available is something which we will have to hedge it. And we will hedge it at 47.50. For example, today we are in Q1 of '09, the business will happen in say Q2, and my receipt will be in Q3. What I will do is I will hedge that balance, I will give you an example, suppose its a million dollar, out of million dollars, about 200 or 300 is my import and expenditure, so 700,000 dollar is something which I will hedge in Q3 at 47.50. In Q3 of '09 neither can you know, nor me know, what the dollar will be, it can be 50, it can be 45, it can be 35. We will be very happy if it is less than 47.50.

- Sunil Kothari:** So basically you are protecting your basic business in margin? Sir, then why 17-1/2 crore loss looks to be big on an annualized basis...?
- Mukesh Dhruve:** The reason is very simple, Sunil. When you hedge it and you try to do that and the further business because all the business does not happen as per your prediction and your this thing, because lot of business which comes in the current quarter and gets executed in the current quarter. Now, like you rightly pointed it out, I had done my estimate at 42 and I have done my hedging at 42, but by the time I realize the dollar would be 45, 47, so this is the difference between the two in the realization. Second is I have done costing at 42, but by the time my import comes, my import is at 45 or 47, because I have not covered. So, that import goes much higher than what I have planned also, so to that extent there is a hit.
- Sunil Kothari:** Yeah, because Mukesh Bhai, in this latest quarter on top line of 65 crores our exports may be roughly what the major giving is two third exports and on that we are losing on foreign exchange almost 7 crore which is more than 12%, 13% or may be 14% of top line exports?
- Mukesh Dhruve:** No, on the current, if you are referring to the quarter we are losing about 4.78 crores only.
- Sunil Kothari:** Okay and remaining is?
- Mukesh Dhruve:** In the current quarter is 4.78 crores, the whole year is 15.35 crores.
- Sunil Kothari:** Okay, no but 7 crore 10 lakhs we are showing foreign exchange loss in this latest quarter, the figure you provided that is 710.64 exchange fluctuation loss?
- Mukesh Dhruve:** Yeah, sorry you are right, Sunil, it is 7.10 crores, I am sorry. I was referring to the previous quarter, I am sorry.
- Sunil Kothari:** So, what I am not able to understand on our roughly 45 crores exports this quarter and as you are saying we are hedging whatever required net, so on that we are losing 7 crore, that is, I mean...
- Mukesh Dhruve:** Yeah, because in this quarter there has been a lot of imports. You see, we have imported a lot of paper specifically for the Q1. In the last quarter, Q4 we imported a lot of paper because we are getting some great deals on paper, now the import has almost come at 50, when the

dollar was at 50, 51 in the quarter. All the imports have come at 50, 51 whereas our hedging was at 41, 42.

**Sunil Kothari:**

Okay, so broadly Mukesh Bhai to understand if this currency does not fluctuate much, then your margin, this type of losses will not be there?

**Mukesh Dhruve:**

It will not be there, you are right, absolutely right. You see, you must understand one other point is, when we started this the dollar was in the range of 38, 39, I am talking of exactly a year back from today when the dollar was 38, 39 and everybody was saying it will go down to 35, 32, so even if you are getting 40, 41 everybody has done some on it okay, this is what we did. Now, by the time you reach, when you started realizing 41, 42 dollar touched 48, 49, 50, now today it has taken the reverse trend, now people will exactly say something else. As I said, we don't worry about such things, we are doing exactly what we feel is correct, yes sometimes you go wrong on the imports. We plan the imports to be in the range of 37, 38, imports happen at 50, that is where you can go wrong.

**Sunil Kothari:**

Okay sir, thanks.

**Mukesh Dhruve:**

Thank you.

**Moderator:**

I request the participants to press \* and 1 for your questions. Our next question comes from Mr. Pawan Arora of Citibank.

**Pawan Arora:**

Mukesh Bhai, Hi, Pawan here from Citi.

**Mukesh Dhruve:**

Hi, Pawan.

**Pawan Arora:**

Okay, I would like to continue that discussion on the FOREX losses if you don't mind, how long are we hedged for 48, 41 and 42 levels, have you taken target for, for how long?

**Mukesh Dhruve:**

That portion is over, right now we are covered for this quarter and the next two quarters. Our average is in the range of now 47.81.

**Pawan Arora:**

Okay, so the losses should not be that much as it was earlier?

**Mukesh Dhruve:**

Unless dollar becomes 55, Pawan you can answer that question better than me, you know that if the dollar becomes 55 then I don't know. When the dollar becomes 45, then I am in a better position, but we are in average of 47.81.

- Pawan Arora:** Okay fine, that's the average hedging as of now 47.81, okay, thanks a lot.
- Mukesh Dhruve:** Pleasure.
- Moderator:** I request the participants to press \* and 1 for your questions. Our next question comes from Mr. Narendra Shah of Damani and Shah.
- Narendra Shah:** Good afternoon, Mr. Mukesh Kumar.
- Mukesh Dhruve:** Good afternoon.
- Narendra Shah:** This is Narendra Shah.
- Mukesh Dhruve:** Yes, Mr. Shah, good afternoon.
- Narendra Shah:** I have gone through your results and one thing which I want to elaborate further is, in the last quarter from your Surat factory you are mentioning that you have dispatched 119 containers, out of the total dispatch for the entire year of 199 containers. You mean to say that almost the majority business comes in the last quarter ; does it imply that your expansion is fully operationalised from Surat in the last quarter?
- Mukesh Dhruve:** Yes, you are right Mr. Shah that is the correct premises, the last quarter we have almost implemented Surat completely, that was the complete quarter which we got from Surat which was Jan, Feb, March and this year 09-10 will be the full year where we will get the entire impact of Surat.
- Narendra Shah:** Now, that means if the same capacity is utilized, is there any further scope of increasing production in Surat or one can assume that your current year's production from Surat will be minimum 119 x 4?
- Mukesh Dhruve:** Yeah, 119 x 4 is the correct presumption.
- Narendra Shah:** So, you mean 480 containers, is that your 100% capacity or still you can increase the capacity in Surat?
- Mukesh Dhruve:** You see to define the capacity your capacity is always calculated at about 80%, 85% of what your rated capacities are.
- Narendra Shah:** That 119 is not rated, 119 is the actual production that you have done?

- Mukesh Dhruve:** I am coming to it, so 119 is at about 85% which is you can say almost peak capacities, okay, so if you are taking 119, 120 containers, what you have done is the correct calculation into four times is the whole year's plan, roughly between 480 to 500 container is what we can remove from Surat in the existing capacities that we have built.
- Narendra Shah:** No, that means in Surat is there any place left for you to increase your capacity presuming you get a good business still from rest of the world?
- Mukesh Dhruve:** At the existing premises, no, we do not have space, but closely available in the near by area and we can acquire any of the blocks that we want. In the existing premises what we have we don't have place.
- Narendra Shah:** What is the prospect of additional business coming into the company looking into the world recession or in the initial stage you said that for education field the recession does not matter much?
- Mukesh Dhruve:** We are quite confident because what we feel is at present what we are doing with our customers is just about 10% to 15% of their requirements. As I mentioned all these export customers are as such outsourcing, they are going to China, they are going to far-east which is Thailand, Hong Kong, Malaysia, Singapore, they are going to Mauritius, they go to all these parts, so why not India, that was the point, number one. Number two we have a geographical advantage compared to these countries, when you look at the African, the European, the UK as well as the North American side. Third and most important is I think we are the most efficient English speaking nation compared to all these other countries, so we have these advantages and since we are doing only about 15% or 20% of what our customers are outsourcing, we feel within our existing customers itself if we grow we will be able to maintain the levels of growth that we are expecting. Third thing is, yes, big businesses will grow, or we get more business, like when we started exports about four years back and which was our first year of exports, we had done a turnover of just about 25 crores, sorry five years back and in this last five years from 25 crores we have almost gone to about 150 crores of the top line, to be precise we are doing 146.58 crores exports this year. So, in just about five years the export revenue has grown five times. If that growth continues, that time we did not have Surat, so we could immediately plan Surat as the growth started we will look at other avenues, some time back Parimal had asked, are we looking at acquisitions, of course we are looking at acquisitions. Whether we will look at a green field project

or we will look at (not sure) just be open to that based on the growth that comes. Of course if the business will come we will look at these opportunities.

**Narendra Shah:** That's perfectly all right, but what I am now thinking, when looking at the profit and loss account and the performance of the company, that are you at the mercy of the foreign exchange fluctuations?

**Mukesh Dhruve:** Not really.

**Narendra Shah:** Then, when one looks at the profit and loss account and find that 31 crores happens to be your gross profit, out of which major chunk of 15-1/2 crores goes by way of foreign exchange difference, it is something undigestible?

**Mukesh Dhruve:** I know, it is unfortunate we did not expect the dollar to fluctuate from 38 to 51, Mr. Shah. It unfortunately happened in this one year only and I don't know if you are keeping track, between last three days the dollar has fluctuated by almost two rupees, now nobody expected this. Three days back I would have given a quote to my client on 51 rupees and today I have to recalculate it at 47.50.

**Narendra Shah:** No, but that means for the current year hopefully if dollar does not fluctuate more than two, three rupees on either side of the existing price...

**Mukesh Dhruve:** Then we will not see this kind of fluctuations and we feel and we are pretty confident that this kind of losses would end by this quarter, after this quarter we should not have any such things.

**Narendra Shah:** Oh, fantastic. Anyway congratulations for increasing the dividend from 20% to 25%. I was present at the annual general meeting which took place last year, unfortunately this year I will be abroad, but I think I heard Chairman stating that the management policy of distributing at least about 20% of the net profits among the shareholders, I would appreciate that taking that would be kept in mind when future profits keep on coming.

**Mukesh Dhruve:** Just to answer this question Mr. Shah, at 25% when we are doing it, the pay out works out to 19.55% of the profits.

**Narendra Shah:** That's good, but you see I understand

**Mukesh Dhruve:** Whatever Chairman has promised is what we are giving you, my friend.

- Narendra Shah:** That's correct, I do appreciate, the only thing what is hurting me is the foreign exchange loss. Now for the current year presuming that, that does not happen I think the shareholders will be very happy.
- Mukesh Dhruve:** Absolutely, we will do that.
- Narendra Shah:** Congratulations once again, thank you, bye-bye.
- Mukesh Dhruve:** Thank you.
- Moderator:** I request the participants to press \* and 1 for your questions. Our next question comes from Mr. Chandrakumar Shah, an individual investor.
- Chandrakumar Shah:** Good evening.
- Mukesh Dhruve:** Good evening.
- Chandrakumar Shah:** Good evening, Mr. Mukesh, I am Chandrakumar Shah from Cochin. At the outset let me congratulate you in spite of this recession and all those things, your company is still thriving well in spite of say more than 50% of gross profit loss in the foreign exchange and I am sure as you said, this year will be, the 2009-10 should be a good year and I must congratulate you for increasing dividend from 20% to 25%, now I am only worried that if the same trend continues as you said, growth and everything what you have expected, 20% top line and all those thing, I hope our share prices also should simultaneously go up?
- Mukesh Dhruve:** Mr. Shah, this is a question, which I don't think I am capable to answer, because we are pure businessmen, we are running the company to the best of our knowledge, wisdom and our efficiencies. We are neither punters nor we are pundits, I cannot make any guesses on the share prices, I think that is determined purely by the buying and selling and by the general sentiment of the public. I also hope like you that the share prices should go up and I want all our stake-holders to be rewarded in the right spirit.
- Chandrakumar Shah:** No, why I asked you that question, because I am not a trader, I am an investor, from that point of view only?
- Mukesh Dhruve:** I appreciate your point and I wish not only for you, but for all our stake-holder's that the prices should go up, all I can tell you is, since you are a shareholder, your company is doing really well and our prospects are very nice. We see a great vision for a company like ours. Your company has been earning government export awards for last more than four years for the largest exporters of books from this

country, so in those terms we are doing very, very well. We hope to continue doing well. I am sure markets will recognize all these efforts that we are putting in and hopefully all the stake-holders will be benefitted through that.

**Chandrakumar Shah:** If I am not mistaken I feel that the other publishers or something, they are not yet committed for say, maximum about a month or so, what is the confirmed order we have in hand as on date, if I am not too inquisitive?

**Mukesh Dhruve:** We are completely full for this whole quarter and we have started order booking position for the next quarter also. We already have orders also for the next quarter and we are quite full, it is difficult to define the volumes at this stage, but we should do almost equal or better than what we have done in the last quarter.

**Chandrakumar Shah:** Thank you very much. I think we will all wish you all the best, sir.

**Mukesh Dhruve:** Thank you.

**Moderator:** I request the participants to press \* and 1 for your questions. Next is a followup question from Mr. Sunil Kothari of Unique Investments.

**Sunil Kothari:** Yeah, Mukesh Bhai.

**Mukesh Dhruve:** Yes, Sunil.

**Sunil Kothari:** Sir, this interest cost of latest quarter is roughly 3 crores, that is totally, means nothing is capitalized and everything, this Surat operation has come in commercial production, so I think that interest is also included in this cost?

**Mukesh Dhruve:** That's correct.

**Sunil Kothari:** So, nothing is capitalized?

**Mukesh Dhruve:** That's correct.

**Sunil Kothari:** So, broadly to understand, what is our interest burden going onwards, it should be what roughly 12, 15 crores annualized or how to just broadly?

**Mukesh Dhruve:** I will put it like this that these last two quarters were the quarters where money was a bit tight, the interest cost had gone up, thus liquidity was a issue, people have not paid you, you can see our debtor cycle has gone up as a result the interest rates has gone up. I will put it like this, going

forward our interest cost should come down. This year we have ended up paying 9% to 10%, I think we will end up paying between 6% to 7% is our target, internal target is 6 to 7% of the funds that we use. It cannot be 7 to 8% of the revenue; it has to be funds you utilized. Right now our working capital limits are 65 crores and long term funds about 32 crores. You can say on 100 crores we should end up paying 6% to 7%.

**Sunil Kothari:**

Okay, so that is a very nominal and visible.

**Mukesh Dhruve:**

To that extent our working capital cost will go up.

**Sunil Kothari:**

Correct and what should be our tax rate after this Surat and all combination?

**Mukesh Dhruve:**

Surat, for the first five years is zero tax and on the Mahape, we will end up paying the normal tax at the corporate levels.

**Sunil Kothari:**

Okay, so average tax rate should be what 15%, 20%?

**Mukesh Dhruve:**

Roughly in that range, I would say roughly in that range between 15% to 20%.

**Sunil Kothari:**

Right, okay sir, thank you.

**Mukesh Dhruve:**

Pleasure.

**Moderator:**

I request the participants to press \* and 1 for your questions. Dear participants to ask the question please press \* and 1 on your telephone key pad. Dear participants to ask the question please press \* and 1 on your telephone key pad. There are no further questions. Now I hand over the floor to Mr. Mukesh Dhruve for closing comments.

**Mukesh Dhruve:**

My dear friends thank you so much for again joining us this evening. It was a pleasure talking to all of you and should you have any other questions please send us a mail, we will answer them specifically and it has always been a pleasure to talk to all of you. Last but not the least, as I said we have announced our AGM at The Club, Andheri and anybody who wants to be a part of it, you can be there on 18<sup>th</sup> of July which is a Saturday at 11.30 AM. Thank you once again, have a nice evening.

**Moderator:**

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

