

Transcript

Conference Call of Repro India Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen. I'm 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, welcome to the concall of Repro India Limited. We have already announced the results and I think the results have been circulated to all of you, but very quickly I will give a brief overview of what's happening in this. Repro India is a very unique value added print solutions company and we have given the results of quarter one as compared to our quarter one of the previous year. As said I will just give you the highlights of that. There has been a 70% growth in profit after tax which was Rs 3 crore last year, which has now become Rs 5 crore. There is a 26% growth in the revenues from Rs. 37 crore to Rs. 46 crore. 47% growth in operating margins from Rs. 6 crore to Rs. 9 crore and 70% growth in the EPS, from Rs. 11 annualized, it has gone to Rs. 20 per share and interestingly in the last eight quarters Repro India has grown from almost half a million dollars a quarter, Rs. 202 lacs a quarter in quarter two of 06-07 has moved to Rs.515 lacs in the current quarter 08-09. The break up basically is 47% of the business has come from exports and 53% has come from domestic business. As I mentioned the focus of the company is on two macro areas, one is the global education books which is what we are focusing in the export market and in India besides the education books that we are doing, on the corporate segment which is mainly the annual reports and for the current quarter the way we have grown and the way we have progressed is that the order book for Quarter 2 is already closed at present, when I mean closed, that means we have

reached maximum capacities that we can produce in our existing facility and right now the company is focusing on the order book for Q3. Even within the exports, there has been an organic growth with the existing customers that we are dealing with, say for example if there is Longman with whom we are dealing in Africa has led building the business with Longman in UK or McMillan, they would have done business in far East has now resulted in McMillan in Africa or Oxford which we are doing in India as well as in distant parts of Africa has led to business of Oxford Pakistan. It's been an interesting quarter and we see there is a huge element of growth. Again for people who have come in for the concall for the first time, one will give a macro perspective of the printing industry. The overall industry is almost at about 500 billion dollars globally. Of these 500 billion dollars, India is about 11 billion dollars. India is growing faster compared to the global industry. India is growing at 14% CAGR. Out of the 500 billion dollars; global industry is about 10% in education books which basically is about 50 billion dollars. Out of the 50 billion dollars Repro India Limited is basically targeting about 2% share which will be about a billion dollars. Very interestingly the global printing industry is working at about 2 to 3% operating margins, in India the printing companies are working at about 8 to 10% operating margins where as Repro India is already reached operating margin levels of 20% and that is something where you see a great amount of growth that can happen. With the expansion of capacities, I think there is a huge opportunity and as I stated even in my press release that India is on a growth path and the world is looking at Repro India Limited as a global outsourcing unit and with our new SEZ facility coming up in Surat, I think we should be able to capitalize on this. I look forward to any particular questions that anybody has and thank you for participating in this.

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 Ms. Harleen of Almondz Capital

Harleen: Hello, good evening sir. I have two questions, one on segmental revenues, I would like to know in fourth quarter how much revenues came from Africa, print on demand, corporate, in magazine segments and my second question is on tax, why is the tax rates so high in this quarter?

Mukesh Dhruve: As far as the break up is concerned there is exports of 47%, domestic is 53%. In the domestic, out of 53%, 8% has come from contract publishing which is basically the magazine business that we do. The different kinds of magazines that we print which includes business magazines, film magazines and women magazines that we do, 8% has come from that. 51% has come from the corporate publishing which is mainly the annual reports which includes companies like Infosys, Wipro, Asian Paints and so on, the entire group of Tata's and etc and 41% has come from the education publishing which includes customers like Jeevandeep, Institute of Chartered Accountants, Symbiosis and so on. So the break up is again to repeat 53% domestic, in that 53%, 8% contract publishing, 51% corporate and 41% education publishing. 47% is exports and that is mainly in the education books and of this 47% you can say almost about 75% has come from 14 countries in Africa and those 14 countries includes in West Africa - Nigeria, Ghana, Cameroon; in East Africa - Tanzania, Kenya, Uganda, South Africa, some Sub Sahara African countries which includes Zimbabwe, Mozambique, Botswana, Swaziland, Lisothe and so on and the balance 25% would be from UK, US as well as a bit of Europe. Second question of yours which is on taxation, just if you have seen absolute numbers, the margin has grown, the PAT has increased almost by 70% and as a resultant absolute number of tax is grown but in percentage terms you see almost the same percentage. So, though the profits have grown, the tax is not grown substantially but the increase in profit has almost been 70% after tax. As a result of this absolute number is high but in percentage it is more or less the same as quarter one.

Harleen: Fine sir, thank you.

Mukesh Dhruve: Pleasure.

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

Ritesh: Good evening sir, my question is for Surat SEZ. What is the status of the plant as of now?

Mukesh Dhruve: We had decided Surat some where in February, originally I don't know how many of you remember, but in our IPO document we have mentioned, ground field expansion and

a green field expansion. Ground field was the one existing unit at Vashi, new Bombay and green field was suppose to be in SEZ which we originally planned in the Navi Mumbai SEZ, but due to various reasons that is still not started. Since February the board took a decision and we decided to take up a unit in Surat (SEZ) and between February and now we acquired the land and building, it is a ready building which was acquired, which is about 60,000 square feet and the machines that we have planned, there are about 4 web machines and a few binding lines. Altogether once the plant is 100% ready; it will have a capacity of producing any where between 80 million to 100 million books. Our first commercial production would start by the end of this month which you can say as the pilot run, but the other machines would be landing in Surat by August and by September you can say our commercial production at about 50- 60% level would be starting. So by Q3 you can see the results of Surat coming in very well.

Ritesh:

And sir what would be the total capex for this plant?

Mukesh Dhruve:

At present we are investing about Rs.32 crore and going forward as and when expansion is required we should be able to put in more money in this plant.

Ritesh:

And sir that means this year entire growth is coming from our existing facility?

Mukesh Dhruve:

That's correct, existing facility plus a bit of outsourcing. Some of the jobs get clubbed together and the time frames are fixed, so you have to outsource some of the job. So a bit of outsourcing would have happened.

Ritesh:

Okay and this Rs. 32 crore capex can be done with the internal accruals?

Mukesh Dhruve:

Most of it from internal accruals, if you have studied our last years balance sheet which has already been given, Rs. 28 crore plus has come from internal accruals itself and there will be a bit of a debt which we will be taking from one of the banks in the form of foreign currency loans. Since we already have a natural hedge, so we might be taking a ECB.

Ritesh:

So our debt can increase to about 50, 55 crores?

Mukesh Dhruve:

No, not that much because my total project is Rs. 32 crore, so debt cannot be 50, 55 crores, debt will be roughly about Rs. 8 to 10 crores depending on how we go about it, but it will be not more than Rs. 10 to 12 crores or 15 crores.

- Ritesh:** No but our existing debt is about 40 odd crore?
- Mukesh Dhruve:** Yes, existing debt would be, the long term debt outstanding was about Rs. five crore, Balance was working capital. I am not considering working capital, I am considering the long Term Debt , Working capital, yes could be between Rs. 30 to 35 crores. The long term debt was about Rs. 5 crore. So we should be taking another about between Rs. 12 to 15 crores and that will increase by that now.
- Ritesh:** No actually my calculation was that 41 Crores plus?
- Mukesh Dhruve:** With working capital we will be at about 55 crores.
- Ritesh:** Okay and sir have you scraped up plans for Navi Mumbai SEZ, is it continuing?
- Mukesh Dhruve:** We have not scraped it, I would put it like this that we have entered into a MOU with SKIL INFRASTRUCTURE LIMITED, through Mr. Nikhil Gandhi for allotment of land but after Reliance has taken over we don't know when will it happen. We are open because you see with our growth plans we need more and more SEZs to come in with our expansion plans. We are open to SEZ at any place, we will take a business view and decide at that point of time.
- Ritesh:** That's perfect. Thank you very much sir.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Ms. Dhristi Jain of CNBC.
- Dhristi Jain:** Sir, Can you just mention us to in figure actually what is your order book. You said its maximum right, that you already reached its maximum level, so I just want to know in amount as to how much it is?
- Mukesh Dhruve:** Yes, in the last quarter we had closed at about Rs. 45 crores and that itself was a growth of 26% on the previous quarter.
- Dhristi Jain:** Sir 26%?
- Mukesh Dhruve:** 26% was the growth quarter on quarter. In this quarter we have done Rs. 37 crores. Last quarter Q1 we closed 46 crore. As on today we have an order book of 60 crore plus and I don't think with the existing plant we can close full. There will be something which will have to move into Q3 from Q2.

- Dhristi Jain:** Okay sir, thank you.
- Mukesh Dhruve::** Pleasure.
- Moderator:** Next question comes from Mr. Amit Bagaria and Team of Angel Broking.
- Neha:** Hello, Sir this is Neha here, Sir I just want to understand from an industry perspective, what kind of asset turn over would we look to work at, I mean what kind of asset turn over can we work at?
- Mukesh Dhruve:** Globally people will be very healthy if they do 0.75 : 1, it means if you invest 100 crores and if you do a turnover 75 crores it is suppose to be a good standard. In India most of the people would be willing to do this sure, I mean 100 crore they will be using 75 or 80 crore. Globally people have reached between 60 to 75. Repro last year did against 100 crores the turnover of 155 crores. Of that 155 crore, totally capex about 28 Crores in the plant which was clarified before. There would be about 10 crore plus of outsourcing done also in that. We would reach an asset turnover ratio of around 1:1.4. However in Surat what we are doing and what we are investing, I think we should be able to reach a ratio very comfortably 1:2 to 1:2.5 going ahead.
- Neha:** Sir, can you tell me why is that we can do a ratio 1:2 and globally it's just about .75?
- Mukesh Dhruve:** Yeah it's because Neha we are adding a lot of values over basic printing. We are not just Vanilla printing house where we just take a job and start printing it. We have other lot of values, we have content, creative, designing, we enter the last man logistics, we will do re-engineering, and anti piracy. We do lot of value added services to the printing. As a result, our revenues are better and our turnover is better and of course over and above this, there is a bit of separate operating efficiency also which is added to all these.
- Neha:** Okay, sir can you just tell me how much of our work, our revenues comes from doing these value added products and how much of it comes from plain vanilla printing?
- Mukesh Dhruve:** About less than 20% would be plain vanilla printing, 80% would be value added.
- Neha:** Okay 80% would be value added....
- Mukesh Dhruve:** 80% will be value added.

Neha: Okay sir the other thing that I wanted to ask is that globally these printing facilities work it about 2 to 3%. In India also you said that there are companies working at 8 to 10% but we have operating margins as 17 or so

Mukesh Dhruve: Yes, we had 20 % in the last quarter. Last whole year we were at 17%, current first quarter we have done at 20% and we see no reason that this 20 % will not improve. We expect this 20 % to improve further than what we are at present and again for the same reasons which I have told you earlier, its primarily because we are not treating printing as printing, we are adding lot of value to printing.

Neha: Okay sir and if I can just ask you another question, is it necessary for us to have a printing facility close to the region of the operation, like for instances we are in Africa do we need to have a printing facility in Africa?

Mukesh Dhruve: Not necessarily because today all the exports, going all across the globe is going from India which is one facility. It depends on where you are getting the best operating efficiencies. Today India is a country in a unique position because of one of the biggest advantage in our country is our paper manufacturing, we manufacture all our papers locally whereas all other facilities elsewhere say for example in Africa except South Africa no body manufactures papers and that would be a big disadvantage. You need to get the paper into the countries, pay duties, manufacture and send it out. Plus we have an advantage of labor in India; we have an advantage of lot of other arbitrage on our services. So definitely doesn't make sense to put facilities in the place where you need the goods.

Neha: Sir there is a cost arbitrage even though we print the material in India and then we have to logistically face a cost and send to the country, to the region, even then there is like a cost arbitrage that works out?

Mukesh Dhruve: Yes there is arbitrage because the logistics cost would be less than 3 to 4% of the total costs. You are always in a better position because, to give an example, if you are sending a container of 50,000 dollars, depending on the place, for example if you are going to East Africa Mombassa, your container cost is about 1200 to 1500 dollars on a container of 50,000 dollars. If you are sending it to US the cost will about 1800 dollars. If you are sending to West Africa then your cost will be 3000 dollars. So still it's a miniscule percentage of your total value of goods that you are sending.

Neha: Right sir and can you also just tell me in terms of imported paper how much have we importing as of now?

Mukesh Dhruve: At present about 25% is what we are importing and that also because we get an advantage of duties due to the exports that we are doing.

Neha: Okay and sir also can you tell me what would be the difference between a print on demand and the other works that we are doing?

Mukesh Dhruve: Today I think we call ourselves as an unique company which can offer one to more than a million copies, it means if somebody wants one copy we can supply one copy, somebody wants million plus, we supply million plus. Print on demand is a new exciting area of printing which has just been introduced; just less than a couple of years back. We are setting up in a very, very big way. We have given print on demand at present for a company called Gilmore for which we supply to India and SAGE countries across from India, but its an area which is now catching up with the education sector, with your insurance sector, with your IT companies where you need copies less than thousand. So if anybody needs copies less than thousand copies then print on demand is most efficient and cost effective way of doing business. We don't need to keep inventories with us .

Neha: Okay, thank you so much?

Mukesh Dhruve: Pleasure

Moderator: Next question comes from Mr. Sachin Trivedi of UTI Mutual Fund.

Sachin Trivedi: Hello Sir, congratulations on a good set of numbers. Sir, my first question is about asset on ratio which you spoke about in the global industry which is around .75 as that and you also said that operating margins in business is around 2%, I was just wondering why will they be wanting to do that business?

Mukesh Dhruve: Globally in fact the printing industry is coming down, so you see a lot of printing industry in Europe are closing down, a lot of printing industry in UK are closing down and that's the reason that countries like India, Far East, China all are growing on this outsourcing now. You are absolutely right and most of them are in fact in the process of closing down. Quite a lot of them are closing down.

Sachin Trivedi: Okay, so in India, although you explained, but if you can just explain that what will be the cost advantage because of labor, electricity and paper? If you can just throw some light on that.

Mukesh Dhruve: As far as paper is concerned, today paper in Europe is available at almost 1100 dollars a ton. Anything between 1100 to 1150 depending on the type of paper you buy. Same paper in India, it would be available at about 900 dollars a ton.

Sachin Trivedi: Why so difference?

Mukesh Dhruve: Yes, the reason is that outside, in Europe and other places today they are just focusing on making environment friendly papers or wood free papers where the cost of inputs have become more expensive, you don't get those trees which are hundred years old which you can cut down and make paper out of that. Compared to that in India you are making paper which is wood free mainly from bagas that's the sugarcane waste. We are using sugarcane waste and manufacturing paper here or you are using wheat too and manufacturing paper here. For example there is a company in Ludhiana which is coming up which is going to make paper from waste of wheat flour. Now Ludhiana is the highest amount of wheat which is the produce and gets just the straw which you are going to make use otherwise which is just throwing away. Similar this applies to bagas in southern part of India. That's one of the advantage India has. As far as labor is concerned very clearly like you look the Repro India figures the average cost of labor to the total turnover would be between 9 to 10%. You take any Europe or US printing company and there is labor cost of about 40% as compared to the total turnover. That's the big difference or the advantage we have. Third and most important is the service levels besides all the cost you looking at, it's the service levels and softer elements; understanding the customer, understanding the relationship, understanding the products, these are the things which India as a country and Repro due to service levels we have been understanding, with this we have been able to take advantage of this service levels. These are the major advantages that we have.

Sachin Trivedi: And sir one more, how are as the company, how are we placed against some of the competitors who are in say Pakistan, Bangladesh, they are again the cheap countries, so how are we placed?

Mukesh Dhruve:

Sachin I don't have any official figures of Bangladesh or Pakistan because we have never faced any competition from these two countries to be honest to you where ever we have been. The competition which we have faced these days from China, from far east which is Malaysia, Thailand, Hong Kong. We have faced even competition from Mauritius, some times from South Africa. South Africa itself has some wonderful printing facilities. You know it's from these countries but compared to these countries which I named you, today China cost wise used to be better than us about a couple years back. But I don't think that is the case now because we are able to meet or better than China in terms of costing, could be various reasons, could be because of closing down of some paper mills, withdrawal of incentives by the government there, because of bank interests going up, there could be various reasons but we find that now we are able to meet or better than China in terms of costing. In fact Malaysia and others are concerned, they don't manufacture paper, they import paper and as a result we can comfortably beat them in costing. Plus we have time advantage to some of the countries from India as compared to Malaysia. Say for example take East Africa, Mombassa which is the Eastern side of Africa, should we send from Malaysia will take nothing less than three weeks to reach there. We have the time advantage and today in the world people are looking at three important aspects when they are doing business with you. One and most important is quality which I think India as the country able to make and Repro as a company are able to meet, finely stands at their at the highest level and most important I think is the service levels which we are able to meet today. Third and the most important is time. Believe me or not the cost comes fourth, so people have just misconception that its only because of cost that people are coming to India, no I don't think so, its because of your quality, your time and your service and cost is the last I think which people come to you and we are able to better most of the countries in this four elements of the late.

Sachin Trivedi:

Okay sir my other question is regarding the annual report printing that we do, why is that we are only in India and why is that we are not actually in some of the other countries?

Mukesh Dhruve:

Sachin, annual report is such a product that it has got a time bound legal requirement. For example in India you are governing annual report by three different acts that you must be aware. You have got The Companies Act, 1956, you have got SEBI regulations and you have got listing

guidelines and all the three are absolutely in controversial of each other. One act says send a full report, one act say average report, one act says so and so but at the end of day the report has to be done 21 days before the date of the AGM. It means whatever the date of AGM, 21 days before the AGM it has to be reached to the share or the stake holders. Even outside the country, most of the annual reports have those kinds of legal deadlines. If you do an annual report from India, it may not be able to meet those deadlines and annual report is such a job that, it always comes at the eleventh hour. I mean, the director's report will undergo a change, the creative keeps on changing, the cover page keeps on changing. The deadlines are quite unrealistic in annual report and as a matter of fact we have never tried to do annual report outside the country. We have not even ventured out of this. Honestly keeping in mind there are legal deadlines you will not be able to match so.

Sachin Trivedi:

And sir coming to this quarterly numbers has seen some dip in raw material to sales ratio, what you will attribute this to. This I am comparing last quarter.

Mukesh Dhruve:

It's mainly because of operating efficiency and second one is better negotiations in the raw material cost case. There was a higher consumption economy of scale.

Sachin Trivedi:

And how far do you think that we can take these operating efficiencies to?

Mukesh Dhruve:

I will put it like this that we will be disappointed if we don't better more than 30% of what we have done in this quarter. If you have seen the results I have sent you the PAT graph of last eight quarters, I don't think this graph is going to be the other way around for the next eight quarters. I can't define the percentages at this stage but I will put it like this that we see growth happening in the next eight quarters, we will be disappointed if we don't do that.

Sachin Trivedi:

Okay and sir one final question from the Surat where we are doing some 30 crore rupees of capex. We have to assume that we can do around 30 crores Rupees of revenue from there, may be around 40 crore for the full year?

Mukesh Dhruve:

Full year we should be able to do that comfortably.

Sachin Trivedi:

Okay great, thanks a lot for your time and once again congratulations.

Mukesh Dhruve:

Thank you so much Sachin.

- Moderator:** Next question comes from Mr. Sanjeev of Edelweiss
- Sanjeev:** Good evening sir, congratulations on good set of numbers. Sir you have mentioned Repro's target margin to be 2 billion dollars, is that right?
- Mukesh Dhruve:** One billion dollar.
- Sanjeev:** And sir is this based on the geography that we cover or the books that we....?
- Mukesh Dhruve:** It's just on the product that we are focusing, we have focused in exports just one basic product which is children books and education books. Primary focus in the global education books which includes pre-primary, primary, secondary and higher education books. Now what I explained was the global print industry is 500 billion dollars out of that 10% is global education, now this 500 billion would be inclusive of all printing which includes news papers, periodical, brochures, leaflets, annual reports and education books. Education books would be considered about 10% of this 500 billion which should be 50 billion. . Here we are saying that out of 50 billion we are looking at 2% shares which will be a billion dollars but that's the opportunity that we are going to have within the global market. It's an opportunity of doing a billion dollar turnover.
- Sanjeev:** And why Africa, why are we showing so much attraction in Africa?
- Mukesh Dhruve:** Not Africa is the thing. What we have found is that in Africa the demand for education books is very high, there are no proper print facilities available there. All the books are as such imported either from US, UK, China or Paris. Then the question comes why not from India and the third thing is World Bank as well as UNICEF is focusing a lot of funds in Africa. All the business which we are doing is indirectly financed by the World Bank. It's a terrific opportunity for business like ours.
- Sanjeev:** Sir what's happening in countries like UK, US, Europe would they print their own books or again it is outsourced from countries like China etc?
- Mukesh Dhruve:** They print a lot of their own books; I mean they have got some of the best facilities in UK, US and Europe. They print a lot of their own education books, but they outsource a lot from China, Paris and India also. They do that quite a lot in fact.

- Sanjeev:** Sir what would be the fixed asset turnover in these three different types of printing that we have one conventional printing. One would be digital printing and one would be POD
- Mukesh Dhruve:** POD and digital printing basically mean the same. Print on Demand or digital printing is the same except the turnover in the print on demand is much higher, you know we have just started a couple of years back. I would not have any indicative ratios at this stage; definitely it can go up to 1:3 to 1:4. In the traditional print industry it is .75:1 which is the standard; the best companies would have reached 1:1, as I have mentioned we have reached almost 1:1:4 .
- Sanjeev:** So, in POD you mention it 1.4?
- Mukesh Dhruve:** It can go to 1:1.3, 1:1.4.
- Sanjeev:** Okay and sir what would be the scope of work in the Surat SEZ.
- Mukesh Dhruve:** Once we complete the whole plant we will have capacity of producing anything between 80 to 100 million books. Let the whole plant get ready, we will give you the exact numbers but at this, minimum 80 million books.
- Sanjeev:** Okay and do we plan to shift our content of creation there or how.....?
- Mukesh Dhruve:** It doesn't make any difference because content can be at any of the places, you see today we have a STPI, Software Technology Park at our existing unit where we are doing the content. Once we did the expansion we can move to any place that would not make a difference. The content wherever you create, the printing can happen at either our places because that place is going to be the SEZ for exports.
- Sanjeev:** Okay thanks a lot sir.
- Moderator:** Next is a follow-up question by Ms. Dristhi Jain of CNBC.
- Dristhi Jain:** I just want to know from the Surat SEZ as to how much revenue are you expecting.
- Mukesh Dhruve:** I think once the full plant is ready Dristhi we should be able to do comfortably about 80 crores.
- Dristhi Jain:** 80 crores, that is per annum?
- Mukesh Dhruve:** Yes, that's correct, per annum.

- Dristhi Jain:** Thank you.
- Mukesh Dhruve:** Pleasure.
- Moderator:** Next question comes from Mr. Sreenath of Motilal Oswal Securities Limited.
- Sreenath:** Good evening Mr. Dhruve, good set of numbers. Couple of questions, One is what would be your Forex policy in terms of hedging and any thing like that and number two, we read somewhere about your long term plans or medium term plans of setting up of a print city. So if you could throw light on both these aspects.
- Mukesh Dhruve:** Okay on the first aspect Forex hedging is concern; we are following a very conservative policy of hedging. Whatever business we sign up and what ever receivable in the next quarter, we just do a simple forward cover after deducting whatever we have pay on bank forex loans as well as imports. For example if I am going to get say 5 million dollars in Q3, 5 million minus my foreign currency loans minus my imports, whatever is the balance, we will just do a simple forward cover and the way we work is today for example if dollar is at Rs. 43 and we will do costing of about Rs. 40 or 41 and the moment we do our sales, our finance will just do a simple forward cover for the balance shortage. That's the policy we have been following. To answer the question I think a lot of people have been asking, I can clarify these, we have not done any derivatives or any of those products which people have done, we are doing a simple forward cover. As far as the print city is concerned that is our vision for taking advantage of that one billion dollar opportunity which I was mentioning sometime back. We feel that in global education books, Repro can reach a target of a billion dollar turnover of that global education books market. For that we are thinking of setting up a print city where we can be the visionary in setting up a print SEZ which can be anything about 250 to 300 acres of land, to set up this we have paper mill within that, we have a lot of partners like minded people who can join us. We do the branding, we do the marketing, we bring the business and it can be close to the port from which we can ship. So that's our vision and thought which we are in the thinking process. No concrete plans right now, but we have set the process going ahead and taking advantage of what we are in today.
- Sreenath:** But is this that we are effectively into the real estate business?

- Mukesh Dhruve:** Not at all, we do not know real estate. What we will do is once we decide 300 acres place may be a real estate developer can take it up in his own way. As far as we are concerned we are just going to promote the print city which is basically the printing in that place. Real estate development can be done by anybody which is nothing to do with print city first place.
- Sreenath:** So what is Repro's role?
- Mukesh Dhruve:** Repro's role will be basically brand promoters, marketers, bringing in the business of billion dollars. See to that in the present structure we cannot execute billion dollar turnover the way we are structured. So we need to have partners to join us and could be a part of it. That is our role. We can see the scope; we can see the vision of billion dollars. So we want like minded people to a part of us and enjoy the similar journey.
- Sreenath:** So what could be Repro's investment in this?
- Mukesh Dhruve:** Nothing has been decided. We haven't even sat down and put down the figures. Once we get into the detail, one will discuss the figure. We have not done any specific work on this as of now.
- Sreenath:** Okay, other wise what would Repro's recurring kind of capex?
- Mukesh Dhruve:** We will require roughly about 50 million dollars in the next two years out of which about 8 million dollars are being invested right now in Surat. So we are looking at about 50 million dollars in the next couple years for our existing global growth plan that we have in our mind.
- Sreenath:** Right, because our facilities should get fully utilized pretty soon right?
- Mukesh Dhruve:** That's correct.
- Sreenath:** Surat will also be up fully 100% very soon by FY10.
- Mukesh Dhruve:** We hope so.
- Sreenath:** So our next unit also we need to be up running by then?
- Mukesh Dhruve:** That's correct. I think we are open to such offer, let us take one step at a time.
- Sreenath:** So this 15 million, out of 15, 8 are already done..

- Mukesh Dhruve:** Not 15, 50 million.
- Sreenath:** Okay now we are clear, thank you
- Mukesh Dhruve:** Thank you
- Moderator:** Next is a follow-up question by Mr. Amit Bagaria and Team of Angel Broking.
- Neha:** Sir, I just wanted to understand if we are getting paper at a cheaper cost in India, then why do we still import paper?
- Mukesh Dhruve:** There are certain customers who want imported paper and especially some of the Indian companies want it or the second advantage is that we do not have to pay duties when we import paper as an exporter. The overall cost of paper would be at a very competitive price as compared to others. When I was comparing the 900 dollars and 1100 dollars was one variety of paper which was uncoated which is used in the text but the cover paper would be almost at the same prices and if we are getting imported paper at lower duties then we have an advantage over others. It's important for those specific purposes.
- Neha:** Okay and sir in total number of capacity we have one facility in Vashi, one which is going to start in Surat and one in Navi Mumbai is that still on....?
- Mukesh Dhruve:** Navi Mumbai and Vashi are same Neha.
- Neha:** Okay and sir can you just tell me what would be the source of this 50 million dollars of capex?
- Mukesh Dhruve:** Right now, Surat we are doing mainly from internal generation and some portion on debt. As we go ahead we will decide because even current year we are expecting good cash inflows. The internal generation will be very good. Most of it may be from internal generation. Where ever required you have enough leverage on your book. You can take a debt or you can do any other form of financing. Not yet decided at present.
- Neha:** Sir, this would be Rs 200 crore, so and we have already a Rs 40 to 50 crore of debt on our books.
- Mukesh Dhruve:** That's correct, including working capital.
- Neha:** Okay sir thank you?
- Mukesh Dhruve:** Pleasure.

- Moderator:** Next is a follow-up question by Mr. Ritesh of Dolat Capital
- Ritesh:** Sir, how we see your scenario in paper?
- Mukesh Dhruve:** Globally there is a problem of paper and paper is a suppliers market, but India is in a very good position because we have got some of the best; about 4 or 5 huge mills which are producing paper that includes TNPL, JK, Belapur, ITC and some of new mill which are coming up. In India it doesn't seem to be a mega problem to be honest to you and we have tied up our paper requirement on a yearly basis with some of these "A" grade mills fulfilling the necessity of our supply of paper.
- Ritesh:** And our raw material 25% would be imported or more?
- Mukesh Dhruve:** 25% of the total paper would be imported not raw material.
- Ritesh:** Okay. And we have seen a change in a composition of our board, so what is the current status?
- Mukesh Dhruve:** Mr. Nasser Munjee who was on our board had to join some government company and as a result he completed the quota of 15 directorship and Mr. Nasser has to resign and in his place we have taken Mr. P Krishnamurthy who was ex-Vice Chairman of Morgan Stanley and current Executive Chairman of Skill, a leading Infrastructure Development Firm involved in Special Economic Zones and keeping in our mind our SEZ plans thats happening as well as the print city which we are talking about, I think Mr. Krishnamurthy fits in the role perfectly.
- Ritesh:** And Mr. Mehta has become from Executive to Non-Executive Director.
- Mukesh Dhruve:** That's correct, Mr. Dushyant Mehta who was our Executive Director has moved into exploring the creative and other areas, he is no longer into the day to day running of Repro India Limited.
- Ritesh:** Okay, that's fine sir. Thank You
- Mukesh Dhruve:** Pleasure
- Moderator:** There are no further questions, now I handover the floor to Mr. Mukesh Dhruve for closing comments.
- Mukesh Dhruve:** Ladies and gentlemen good evening once again. Thank you so much for coming in this concall and participating and I look for having conversations with you once again. Thank you and have a lovely evening.

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 and have a pleasant evening.
