

Transcript

Conference Call of Repro India Limited

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Presentation Session

Moderator:

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

Mukesh Dhruve:

Good evening ladies and gentlemen. Welcome to all of you and a belated Happy Republic Day to all of you. Good to get all of you back after a quarter. As you all know Repro India is in a very exciting business of education books and exporting of education and children's books globally, which includes UK, Europe, US, about 22 countries in Africa and some even Far East, Middle East as well as going down as far as Australia. The Indian business, of course is focused as you know on annual reports as well as the education and the corporate. This has been, I would say the turning quarter, where Repro has achieved the highest profits for the quarter in its history. As you all know we listed about 16 quarters back. And all the 16 quarters, Repro has been showing a profit quarter on quarter. But, the last quarter we can see, is the turning quarter for Repro, where it has recorded the highest profits post listing in the quarter. Though the sales have gone slightly down as the company decided not to do certain sales, which were not profitable. So, it's a conscious call by the company to reduce some of the sales, which were not profitable, but focus on the high profit margin jobs. It has been the highest PAT, highest operating margin for the quarter and this has been partly because of the performance of our Surat plant, which is doing exceeding well. As you all know, we invested just about 36 crores in that plant. And on that we are expecting annual turnover of 120 crores. Surat has now a capacity of 35 tonnes per day and produces almost about

two containers everyday. The sales to turnover ratio is extremely good there at one employee a crore. There has been a lot of reduction in the overall operating expenditure as well as the outsourcing cost. The raw material cost also has gone down. So this I can say is the turning quarter for Repro India Limited, and we can see very clearly, that this is something which we will be able to sustain in the coming quarters. It's been an exciting quarter and an exciting year and we think 2010 is going to bring in great and big opportunities for Repro India Limited. Thank you once again for participating and I welcome any questions from all 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 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. Lokesh of Citibank.

Lokesh: Yeah Mr. Mukesh.

Mukesh Dhruve: Yes Lokesh.

Lokesh: Hi sir. Sir, I just wanted to know about your future plans? Are you planning for any further expansion or you want to continue with this setup flow?

Mukesh Dhruve: We are planning for expansions and there are two routes. One is of course as you know, you have got enough loans and it is available for expansion, it will be the normal operating growth. We are doing the organic process also. At the same time, we are also looking at inorganic growth, whether it is acquisitions, mergers where ever we get the opportunities. We are looking at both the options.

Lokesh: Okay sir. Thank you.

Mukesh Dhruve: Okay.

Moderator: Thank you sir. Dear participants, if you have any questions, please press * and 1 on your telephone key pad.

Dear participants, if you have any questions, please press * and 1 on your telephone key pad. Our next question

comes from Mr. Sunil Kothari of Unique Investments & Consultancy.

Sunil Kothari: Yeah, good afternoon Mukesh.

Mukesh Dhruve: Good afternoon Mr. Kothari.

Sunil Kothari: Congratulations.

Mukesh Dhruve: Thank you.

Sunil Kothari: Yeah, sir about the broad guidance, in the starting of the year, you have given about some may be marginal growth. So should we now revise it to may be little bit lower than last year's size or how you see remaining and next year onwards?

Mukesh Dhruve: Definitely as I mentioned in the beginning of the concall, we may be little less than the last year, because the quarter 1 and quarter 2 has been a tough quarter. But quarter 3 is the one where we are sensing a change. And more than, I think more than the top line, our focus has been the bottom line. As compared to last year our operating margins will be, as I recall, better than what we did last year, though the turnover might be little down. The focus is on the bottom line and that is where I think a lot of improvement is happening. You can see that's from this quarter.

Sunil Kothari: Right. So sir, what numbers should we expect for this year?

Mukesh Dhruve: I would say anything between 200 to 225. I know, this quarter has just started, it is going on. So, anything between 200 to 225 is what we are looking at, at a broader level.

Sunil Kothari: Right. Next year can we expect major growth? We were expecting this current year, but maybe because of this excel factor, it has gone may be a little bit back.

Mukesh Dhruve: Yes. As I was saying, we are expecting next year in the range of 30 to 35% growth levels.

Sunil Kothari: Right, right. What should be the benchmark in our operating margins, this quarter should be taken as a real margin or because the FOREX loss is now almost going out?

Mukesh Dhruve: That's correct. I think, the current quarter, you can take it as a benchmark definitely.

- Sunil Kothari:** Okay, okay. And sir this doubtful debts provision which we have done, that is related to which country or which customer, if you can?
- Mukesh Dhruve:** It is not related to a country specific, it is related to the total debtors. As we have said in quarter 1 and quarter 2, we have put in a debtors policy into place. Based on the number of days and the period of the debtor, we expect that whether they are going to come or not, we make a provision. It's more of what you see a conservative accounting policy, moment as per the policy, whatever is getting older, we just make a provision, and like we have not written it off, we have just made a provision.
- Sunil Kothari:** There is no risk you find?
- Mukesh Dhruve:** Yes.
- Sunil Kothari:** What should be now, your policy towards the external interests is witnessed, are we now getting good orders and comments? Or, if yes, because it was funded by some external agencies, so there was a little bit slowdown, you feel that original momentum has come back or it will take a little bit longer?
- Mukesh Dhruve:** Yes, two things. One was, a lot of this project, education projects world over are financed by the World Bank, the UNICEF and an agency called CIDA, which is the Canadian International Development Agency. These funds which were supposed to come in the Q1 have started actually, we can see, have started flowing in from Q3. Last quarter was when a lot of funds have started coming in and those businesses which we have tied up but the funding were not tied up, we could not do those, but in quarter 3, we could start executing those contracts. So, the funds have just started coming back and like at current, there are nothing less than about 14 to 15 projects which are being funded by this, this associations of World Bank and UNICEF and others. So, we can see a lot of funds coming back into the education segment and that is what will lead to growth in this segment.
- Sunil Kothari:** So, hopefully next year, we should not see any challenge from this side?
- Mukesh Dhruve:** I don't think so. I don't think so. But what we have seen in Q3, we should not be seeing any challenge from this side.
- Sunil Kothari:** Right, right. And regarding this rate of dollar, 45 or 46 whatever rupee - dollar parity. You feel at this rate, this

type of margins can be maintained or it will deviate depending on rupees appreciation or depreciation?

Mukesh Dhruve:

I don't think, our margins are determined by the appreciation or depreciation of dollar. The simple reason is that, what we are following is that as I mentioned last time, a very conservative hedging policy. Hence, if we sign up a business today, whatever is the dollar rate, and we know that when this money is going to come in, so we will try to do a simple forward cover for this currency what we are standing at today. Suppose, if today the dollar is at about 46.70, or if it is 50, if it is 46.50, we have done business at 46.50 and we know that the money are going to come say in Q1 or Q4, in Q1, then we will tie up a simple forward cover for Q1. When we give the money, we have done business at 46.50, we will get 46.50. Dollar can be 44, dollar can be 48, it doesn't make a difference to us.

Sunil Kothari:

So, hopefully this, last year 17 crore loss on exchange, these are the things of the past, we should not worry about this now?

Mukesh Dhruve:

Absolutely, we should not be worrying about this now.

Sunil Kothari:

Thank you. Wish you good luck.

Mukesh Dhruve:

Thank you.

Moderator:

Thank you sir. The next question comes from Mr. Saket Narang of Samara Capital.

Saket Narang:

Hello.

Mukesh Dhruve:

Yeah, good afternoon.

Saket Narang:

If you could give us the breakup between domestic and export sales of?

Mukesh Dhruve:

Yes, it is 66% is the exports and 34% was the domestic for the last quarter.

Saket Narang:

And in your P&L, the interest cost has been coming down. So if you can also give us, what is the debt on the balance sheet and also what is the debtor days.

Mukesh Dhruve:

Yes. As you can see that the sundry debtor has come down from 141 days to 116 days. The prime reason is renegotiating the terms with our existing customers, where you try to grow. You know normally in the publishing world, the credit period is anything between 120 to 150 to 170 to 180 days. We are trying to bring it down to closer to

100 or below 100 days. That has been a discipline which we have followed in the last two quarters, as a result of which a lot of collections has happened. Lot of our working capital limits which are sanctioned, we are utilizing less. The total working capital limits which are available to us is almost in the range of 75 crores. And the long term debts on ECB were 36 crores. And recently, we have just tied up another 4 million dollars for expansion on our digital and other areas. So, the total outstanding debts, short term and long term together would be roughly in the range of about 60 crores.

Saket Narang: Okay. That would be all.

Mukesh Dhruve: Yeah, okay.

Moderator: Thank you sir. Dear participants, if you have any questions, please press * and 1 on your telephone key pad.

Mr. Mukesh, there are no further questions, now I handover the floor to Mr. Mukesh for closing comments.

Mukesh Dhruve: Okay, fine. Ladies and gentlemen, thank you once again for joining us. And as I can tell you this is an exciting year that we can see in our growth and our plans. Both the plants, Surat as well as Mahape has been doing extremely well. We are looking at new investments, new mergers-acquisitions as I said. And it is going to be an exciting year. We see 2010, as a great year for Repro India Limited going forward. And you'll hear a lot from us in the coming months and coming quarters. Thank you so much for coming and participating.

Moderator: Thank you sir. 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 day.