

## Conference Call of Repro India Limited

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### Presentation Session

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***Moderator:***

Good evening ladies and gentlemen. I am Edwin, 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 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 ladies and gentlemen and I once again welcome all of you to the con call of Repro India Limited and I would like to thank you for coming for this conference call. Again, it has been an exciting quarter and business has now started growing. What I had shared with you in quarter 1, where the business had gone down, it has now started picking up, as we can see the growth happening. I think, what we read in the Economic Times today really lightens the heart and I think growth will happen now the way the things are changing world over. For the particular quarter, the operating margins have improved by a percentage point from 16%-17%. We can see our domestic business has increased almost by about 15%, what was Rs. 20 crores in the previous quarter has become Rs. 23 crores. We have mentioned also something about the Global Advisory Board meet and just to inform this esteemed gathering, we have formed a Global Advisory Board, which consists of the key Board of Directors of Repro India Limited and there are outside Directors who have joined in this global advisory board, which consists of a gentleman called Robert Baensch who is from USA and he is on some of the largest publishing houses and works with some of the large publishing group in US. Then, we have got Dr. Yemi who is again an educationist from Nigeria and he was previously journalist with the Times Magazine and has interviewed some of the largest political leaders like in our own country, Shrimati Indira Gandhi, Rajiv Gandhi, our neighboring countries like Benazir Bhutto, Margaret Thatcher, all the political leaders

that you may think of. Then, we have got Mr. Nasser Munjee, the current Chairman of Development Credit Bank who is again interested in developing education in the various states that he is working in India, and we have got Professor Sadagopan from IIT-B, again an educationist based in Bangalore. So, the whole objective of this education board is to promote education and the common cause of education not only in India, but internationally. Another good news to share with all of you is Repro has got a top export award for being the highest exporter of education books from the country last year. Coming to the specific this quarter compared to the quarter-on-quarter, if you compare this quarter with the previous quarter, we can see changing trends, which have happened. There has been a 10% growth in the revenue in the current quarter, what was 49 crores has now become 54 crores, 4% growth has been in the export itself, so from 26 crores has gone up to 28 crores. The export to domestic ratio has gone up to 55:45. There has been a 15% growth in the operating margin and of course 45% growth in PBT. I look forward to all your questions. Thank you for participating in this.

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*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 # key. Our first question comes from Mr. Pankaj Patel of Patel Laminates. His line got disconnected. Our next question comes from Mr. Sunil Kothari of Unique Investments.

**Sunil Kothari:**

Good afternoon Mukesh Bhai. Sir, what about this now FOREX, is it over and hopefully should we see no FOREX loss now onwards within second half. If you can clarify something?

**Mukesh Dhruve:**

Yes, I had answered this Sunil last time also. We should not see such losses, but out of the total losses, which I have shown one must understand and appreciate that almost around 50% is because of the accounting entry AS11, which are more of notional losses, we have no choice but to debit to profit/loss account as per the accounting standards AS11 as you call it. Yes, the balance are basically the forward cover and I explained to you last time, if we have done a forward cover, let us say 46 and on the date of the closure of the quarter or the closure of the month, if the rate is say 47 or 48 and that 1 rupee or 2 rupees is the difference, which has been

debited here. So, 50% would be actually those losses, 50% are notional losses and going forward we do not expect this to happen.

**Sunil Kothari:**

Sir, about growth, can we talk something about growth, how we see year-on-year for whole year, last year we did Rs. 238 crores, currently we are matching half year, but how you see onwards?

**Mukesh Dhruve:**

We have targeted a growth of at least 20%-25%, which is what I have been saying consistently. First half, we did not see those growth for various reasons that I had explained, but to repeat yes we had orders in hand for a lot of export clients, but we were not sure of the money tie-ups. Because the money was not tied up or the LCs were not up, we did not execute those contracts. Now, with the changing situation, we can see improvement in this quarter and we are quite optimistic we should be able to achieve those 20-25% growth levels what we did last year and even now we look to be confident on that.

**Moderator:**

Next question comes from Mr. Vinay Bhandari of Enam Securities.

**Vinay Bhandari:**

Good afternoon sir. Couple of questions. Our raw materials cost to sales has gone up, I guess, it is 57% from 53%.

**Mukesh Dhruve:**

Are you referring half year or are you referring to the quarter?

**Vinay Bhandari:**

Sir, quarterly? Because in June quarter, we have approximately Rs. 25.06 crores of raw materials consumed and currently we have Rs. 30.76, which is basically approximately 57% of the total sales, so why there is an increase in this, what is the reason for this?

**Mukesh Dhruve:**

Are you referring quarter 2 to the quarter 1 or are you referring quarter to quarter?

**Vinay Bhandari:**

Yes. I am not saying there is an increase in 57%, I am saying basically the raw materials consumed to sales in June quarter was 53% and in the September quarter, it has increased from 53 to 57%.

**Mukesh Dhruve:**

I think, Vinay the only error which you are making in this is you are not considering the increase/ decrease of the stock which is in column 1 after the total income. Like, in the current quarter, there is 131 and in the previous quarter, there is a figure of 525. See, if you consider those

figures then there is a reduction by a percentage point compared to the previous quarter. You got the point?

**Vinay Bhandari:**

Fair enough Sir. Ya, I got your point. And secondly sir, do we hedge our foreign exchange, basically foreign revenues and all that?

**Mukesh Dhruve:**

That's correct. We do that except that the previous year the error, which we have done which I had explained Vinay, the last con call was we would hedge the gross figures that is where you would have gone slightly wrong, however, we are now hedging the net figures.

**Vinay Bhandari:**

Basically, whatever is receivable less whatever is payable, so the remaining we are hedging?

**Mukesh Dhruve:**

To put it simply, example, if my revenue is going to be say 10 million dollars and my imports are going to be say 2 million or 3 million dollars, I will deduct the 3 million dollars. After that, whatever is my repayment of interest and foreign currency loans I will deduct that and whatever is the net position after that is something, which I will try to do my forward cover. For example, if you have 10 million minus 2 million of import minus 1 million of repayment of interest on loan and I will only hedge my balance 7 million dollars.

**Vinay Bhandari:**

What was the rate which you have taken a forward cover?

**Mukesh Dhruve:**

See, in the current quarter, this quarter and the next quarter, our average rate will be around 48-50. Average I am telling you. Like, this quarter there are some rates which we have got even around 49, close to 50. Next quarter also, we have got some in 50, but some in 48, so if you can cover our average, we should realize at 48.50.

**Vinay Bhandari:**

Okay, so below 48.50 is our gain?

**Mukesh Dhruve:**

48.50 will be our average forward cover gain.

**Vinay Bhandari:**

And anything below this will be our gain basically?

**Mukesh Dhruve:**

Anything below this would be our gain, that's correct.

**Vinay Bhandari:**

Okay, right Sir. What is current order book Sir?

**Mukesh Dhruve:**

As on for this next six months, we have a comfortable position of around 20 million dollars in exports and in domestic our business close to around 35 crores.

**Vinay Bhandari:**

Okay, so this is executable over the next six months.

- Mukesh Dhruve:** Next six months, that's correct.
- Vinay Bhandari:** So, roughly 96 plus 35, you will do 130 crores roughly.
- Mukesh Dhruve:** As of today? Yes.
- Vinay Bhandari:** Total as of today. Okay Sir. Fair enough Sir. Thanks a lot.
- Moderator:** Next question comes from Mr. Sunil Kothari of Unique Investments.
- Sunil Kothari:** Mukesh Bhai, just I may be repeating something, but if we try to grow say 20%-25% year-on-year, then we will have to do something like almost double than first half in second half, the revenue, maybe 100 then it is required to do 180 or 190 crores, so it is feasible to do those size of business and facilities and infrastructure that we can do?
- Mukesh Dhruve:** With our facilities, we may not be able to do the 100% that we are targeting. Once we get those orders, maybe we will consider outsourcing at that point of time. Yes, that is the only option. That is the way we are growing, we are looking confident and we should be able to raise those figures. There is an only challenge, which we face Sunil is, we get the orders but if the money does not get tied, then we may not execute those orders until the money is tied up.
- Sunil Kothari:** What are the chances of that happening?
- Mukesh Dhruve:** Sunil, happening are very good. Because, right now the order book looks very good and it is going everyday as we are progressing in this quarter and next quarter. So, chances are very good, but we may have to wait and watch. Because we hedge even quite these orders in Q1 as well as Q2, but there were quite of few which we could not execute. Those orders are now getting executed in this quarter because the money has got tied up.
- Sunil Kothari:** Why I asked you is because if you want to grow 20%-25% on 238 then it will require a big jump in second half.
- Mukesh Dhruve:** Absolutely, you are right and we are aware of these challenges, but yes once we fill up our capacities we may look at outsourcing at that point of time.
- Sunil Kothari:** Wish you good luck Sir. Thank you.
- Moderator:** Next followup question comes from Mr. Vinay Bhandari of Enam Securities.

- Vinay Bhandari:** Sir, for the current year, that is, for the remaining six months, how much more order we can take for this year?
- Mukesh Dhruve:** See, I just answered that question to Sunil Kothari sometime back. We are targeting a growth of around at least 20% on what we did last year. If you take a growth of 20% on last year, basically, it would amount to almost about, we are thinking in the range of 275-280 is what we are expecting. If I take even the lower side of 275, there is about 103 is what we have done now. The balance is something which we are looking at achieving. No questions about it that comes to about 160-165 roughly in the next six months.
- Vinay Bhandari:** And Sir, basically looking at your current capacities, what kind of revenues these capacities will generate at whatever utilization, at 100% utilizations Sir?
- Mukesh Dhruve:** There is nothing like 100%, it is 85% which can be the full capacity because we never utilize, we always keep 10-15% for various reasons. So, at 85% capacity, both these plants together can very comfortably give you around 275 crores.
- Vinay Bhandari:** So, then remaining, if we are looking at next year or FY12, 25% growth, that revenue would be coming from, assuming the capacity?
- Mukesh Dhruve:** We are looking at acquisition; we are looking at outsourcing because there are enough printing facilities available in the country and in New Mumbai where we have located also there are enough facilities, so we are keeping our outsourcing vendors also available wherever they are. Plus, we are looking even at growth to acquisitions at the areas. Because there are enough acquisition opportunities available today in India, outside India, in different parts of Africa, South Africa is available, Middle East is available keeping in mind the way we are growing in exports because we are now exporting almost across the globe you can. We are in about 18 countries in Africa, we are in Europe in about 4 countries, we are in UK, we are in US. We have now started dealing with the ministry of education in UAE, we are sending books to Australia, we are sending books to Canada. Keeping that in mind what would be the most strategic, we will take the views at that time. It can be forming partnership, forming strategic acquisitions, strategic tie-ups with people. Like, the situation being what is in Middle East, for example in Dubai, we got opportunities of some acquisitions, South Africa we have got opportunities, in West Africa we have got opportunities, in US too can go and buy what we want

today. Keeping that in mind, it does not make sense to buy in US, which itself has become nonviable. We are looking at whichever areas where we get our opportunities we will look at that. Lot of opportunities are there and we are keeping our eyes and ears open for that.

**Vinay Bhandari:**

What is our current cash and debt levels?

**Mukesh Dhruve:**

Sundry debtors as on closing of this last quarter was about 142 days or in absolute terms if you look at it, roughly it was in the range of about 80 crores.

**Vinay Bhandari:**

No, I want our total debt basically?

**Mukesh Dhruve:**

The long term and short term combined together would be about 106 crores.

**Vinay Bhandari:**

And cash level Sir?

**Mukesh Dhruve:**

I do not have cash levels right now in front of me.

**Vinay Bhandari:**

No problem Sir. And sundry debtors you were saying, how much?

**Mukesh Dhruve:**

Sundry debtors are roughly about 80 crores.

**Vinay Bhandari:**

That equals to 140 days?

**Mukesh Dhruve:**

That's correct. That equals 142 days. I will E-Mail you this cash positions. I do not have right now.

**Vinay Bhandari:**

Okay, thank you so much.

**Moderator:**

There are no further questions. Now, I hand over the floor to Mr. Mukesh Dhruve for closing comments.

**Mukesh Dhruve:**

Ladies and gentlemen, thank you for being with us on this con call and I sincerely appreciate all the questions. If there is anything specific, like the cash, which I could not answer, I will be e-mailing to Vinay or anybody else whoever wanted. I am available on the telephone calls all the time and I once again appreciate all that you have asked and we see representing next half and a year and we will come back to you next quarter. Thank you for being with us today.

**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 evening.