

Transcript

Conference Call of Repro India Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Raja, 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 floor to Mr. Mukesh. Please go ahead, sir.

Mukesh Dhruve: Good afternoon ladies and gentlemen and all my good friends who I am meeting quarter on quarter. I think a lot of them I have met one on one in the last one month, I think. So, welcome back to the Repro conference call and I welcome you all again. As you know there are two events which have happened yesterday. One was the announcement of our results for the quarter, for the first quarter of the New Year and second was of course the acquisition of the Macmillan printing unit. Very briefly I will tell you about both the points. One is of course the quarterly results. As you must have all seen there has been a growth of 21% in the revenue from 60.23 crores, it has gone to 72.76 crores. 104% growth in the operating profits, from 6.29 crores to 12.85 crores. 317% growth in PBT, from 2.03 crores it has jumped to 8.48 crores. And of course consequently, 197% growth in profit after tax, 2.93 crores has become 8.7 crores. It's been one of the good quarters for Repro. Very briefly the break up of turnover is 60% has been from exports for this quarter and 40% from domestic business. Both the plants in Surat and Navi Mumbai have grown tremendously in this quarter as well as the Indian business and exports business has also grown. I think one of the best quarters for Repro India Limited. It has been the highest revenue generator of 72.6 crores. The return on net worth annualized stands at 23% now. The PBT was highest at 8.48 crores. And more importantly, I think the cash balance has jumped to 54 crores at the end of this quarter. I think a lot of you had asked me concerns about the debtors in the past. I am glad to inform you that the debtor's cycle which was about three quarters back at 141 days had come down at the end of the year at 118 days. It is now down to 98 days for the end of this quarter. So, we have broken the cycle of 100 days and we have come below 98 days. The EPS annualized stands at Rs.33. I think again which is a good change from what it was. So, that was overview on the overall results. One of the best quarters for Repro India Limited and I am happy to inform you this results.

The second most important news which we had announced yesterday was that the Board of Directors at the meeting approved the acquisition of the India printing operations of Macmillan Publishers. That is the subsidiary of the renowned UK based publisher. The broader aspect of the deal is that, Repro India, we take over the printing

facilities of Macmillan, which is based in Chennai with its various facilities. As far as Repro is concerned, there are three major things. One is we are getting an entry in the Southern India region, where we will have a footprint now and we will be able to cater not only onto Macmillan, but to lot of a South India publishers. Second most important thing is that we have been promised a contract of 75 million books over the next five years, which will translate into a top line of about 250 crores, which will happen over a period of next five years. More important than this is, I think we will get a global footprint with Macmillan globally. Macmillan as a company outsources close to around, between 350 to 400 million of dollars of printing, which is from UK, from US, from about 54 countries in Africa as well as Far East. At present we are working with them in almost about seven countries in Africa as well as India and UK. I think one of the bigger benefits of this will be that we will be in the global perspective of Macmillan in times to come. That I think is the summary of the deal that we have done with Macmillan. And it's a good acquisition that we have done in this year. As I have mentioned in the past, we are looking for likeminded partners and Macmillan is a great name to be associated with and it is a terrific partner to be associated with. I now welcome you to question and answers. I look forward to your questions.

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 you like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from, Mr. Nayan Mehta of 21st Century Shares.

Nayan Mehta: Good afternoon and congratulations on a very good set of numbers.

Mukesh Dhruve: Thank you Nayan. Yes please.

Nayan Mehta: Yeah. My question is pertaining to the tax angle. So far we have seen refund of tax, write back of tax and this quarter we have also paid a MAT of about 1.74 crores. I just wanted to understand, going forward what will be our tax policy and whether we will continue to have some write backs and along with the MAT or what could be our year end tax rate?

Mukesh Dhruve: Nayan, as far as we are concerned, our tax rate will remain more or less zero, except for MAT. This is primarily because of our presence in the Special Export Zone at Surat from which our exports happen. That is covered under the SEZ rules and where you know, you have zero tax for the first five years, next five years you will have 50% tax and the last tranche of five years, based on the investment, you will get exemption of income tax. However, as you rightly said, effective this year, the Government has introduced a 10% MAT which you know, there is still a dispute going on between the Finance wing of the Government and the Commerce wing, where the Commerce wing is saying that you cannot remove what we have promised to the investors like Repro India and hundreds of other SEZ investors, because the Government itself has promised 100% tax free income and suddenly after three years they are saying, now 10% MAT. However, what we have done is, we have provided for a 10% MAT, which will be an impact on our cash flow, that will not be an impact on our

bottom line. What we have done is, because we will have to, it will just impact our cash flow in the current year and the end of after 2013-14, when we will become taxable, 50% this MAT will be adjusted against the taxable income in that year. So, there will not be any tax impact as impact in the current two years, that is this year and the next year, where we are exempted under MAT. However, the cash flow impact will be there to the extent of 10% of the profits that we will earn.

Nayan Mehta: Okay. So, even your year end figure will show almost negligible tax on the PBT, because it will not be reflected?

Mukesh Dhruve: Yes, that is negligible. Absolutely, you are right. There will be a negligible tax. However, there is a cash flow impact.

Nayan Mehta: Okay. And secondly, on our current capacity, since we have already gone up for the expansion and it will be completed probably by September or so, the ongoing expansions from 1 million to 2½ million. Now, as I understand that we will be, if the company runs on full capacity, it can generate income towards 500 to 550 crores. Now, what kind of probability we have in achieving closer to full utilization and in what period of time?

Mukesh Dhruve: As you rightly said, we have done the expansion at both the plants, which is in New Bombay as well as the Surat SEZ. Both the places, once the expansion gets over, which you rightly again said will be end of this quarter, that is by September I think both the plants capacity would have been done. Once those capacities are settled and installed capacity will increase in terms of top line between 500 to 550 crores. However, the current year as you said, the capacity will come into effect from October. For the current year we will get 50% of that capacity, but full year we will get about 500 to 550 crores. So, for the current year we will get 50% of that capacity utilization.

Nayan Mehta: See, yeah 50%, the capacity will start from let's say, from the P&L point of view, from October to March we are talking about 50% of that capacity which comes into play, but at what capacity utilization? So, it should not happen that 50% and your capacity utilization also remains at 50% or somewhere. Then you are getting almost 1/4th kind of the benefit of the newly expanded capacity. So, what is your idea on our capacity utilization of that 50% at pro rata? I would rather use that word pro rata.

Mukesh Dhruve: No, this is not like a textile mill or something like that or not something which is a continuous production kind of a system. It is almost like the IT, as I keep on telling people, this is exactly like the IT business in India fifteen years back. It is a nascent industry, it is growing. It is exactly that if you have capacity, then business will come. If you don't have capacity, you can't do those businesses. So, first job was to ensure that our existing capacities are utilized at about 80%-85%. As I mentioned in the past, our existing capacities were about 300 crores. And this year as you can see, we have utilized almost 80% to 85% at 268 crores on 31st March 2011. So, since we have reached 80%-85% capacities, in order to create the organic growth, we have enhanced the capacities to 550 crores. How much will be put to use? Difficult to answer at this stage. Of course, we will optimize those capacities. But, orders and all will start flowing in after October. And how much we will get to utilize in this year? It is difficult to answer at this stage, difficult to predict at this stage. And do not forget that with effect from 1st

August, we will also have the South Indian capacities available to us. So, first and foremost enhance the capacities, which we have done. After that I think utilization happens. But, as I said it is difficult to predict at this stage, how much will get utilized fully. So, to answer the question in practical terms, as I said in the past, if last year we have done 268 crores, I will be disappointed if we don't do at 25% to 30% year on year.

Nayan Mehta: Okay. Now, this is taking into consideration the 50%.

Mukesh Dhruve: Yes, the enhanced capacity and everything, absolutely you are right. On the old capacities, we could have not grown. In any printing industry, 80% is the maximum capacity utilization and we have touched almost close to 85%.

Nayan Mehta: Okay, so in that probability we will end the year somewhere around 350 mark as far as your top line is concerned?

Mukesh Dhruve: It is difficult to answer. I am again repeating, 25% to 30% growth is what we are expecting on 268, that is what we can say at this stage.

Nayan Mehta: That is coming closer to 350 actually.

Mukesh Dhruve: That's what I am saying. I am saying estimate of 25% to 30%.

Nayan Mehta: No, without Macmillan. I believe that this figure could be without Macmillan.

Mukesh Dhruve: See, Macmillan has just happened. How much will happen this year? How much top line will come in? It is difficult to predict. It is too early. Let the whole process go through. You know the current year season is already over as far as they are concerned. The Indian schools have already started as you know in May-June. So, the current season is almost over. How much will happen this year? Too early to predict, but yes, this is without Macmillan.

Nayan Mehta: Okay. And on the margin front, are you comfortable with the margins. You can protect these margins which you have achieved in the first quarter for the remaining three quarters of the year?

Mukesh Dhruve: We sincerely hope so my friend. Again as I said, I do not hold a crystal ball, where I can predict so perfectly. But, we are hoping that it will remain the same.

Nayan Mehta: Okay. And lastly the other income which we have been getting around 2 crores quarter, this will continue again? Because, I believe there is something related to FOREX?

Mukesh Dhruve: Yes, it's the composition of three items. There is a FOREX component, which is very negligible now, about 75 lakhs is the FOREX income. But, the major component is the export receivables, the export incentives as you call. Sorry, not receivables, I am sorry, it is export incentive.

Nayan Mehta: Okay, so this will be of recurring nature?

- Mukesh Dhruve:** Yes, this will be a recurring thing, absolutely.
- Nayan Mehta:** Okay, thanks for taking my questions. I will come back if I have any more. Thank you.
- Moderator:** Thank you sir. Next question comes from Mr. Neerav Dalal of Share Khan.
- Neerav Dalal:** Congratulations for a good set of numbers. Sir, I have three or four questions. What was the raw material cost, average raw material cost for the quarter and what do you expect it going forward because, the coated paper prices are increasing.
- Mukesh Dhruve:** Yeah, any other you want me to answer or one-one question?
- Neerav Dalal:** Yeah, I will take one, one after the other.
- Mukesh Dhruve:** Okay, fine. The raw material cost, if you compare with last year, last year there was an aberration in pricing which has happened suddenly, which I had explained in my previous concall. Two reasons. One was, there was a earthquake in Chile, because of which there was no paper-pulp coming out of that country. Chile is one of the large paper-pulp producers. Second one, there was a strike in Finland at the port, because of which whatever paper was manufactured by Finland could not leave the country. As a result, Indian paper manufacturers got large export orders, because of which the prices in May had gone up. However, our feeling is that in the last two quarters prices have quite stabilized and in fact they seem to be coming down. If we had to compare the cost of raw material quarter on quarter, last quarter we were 59%, this quarter we are down to 56%, so the pricing have come down.
- Neerav Dalal:** And sir, if we see the absolute terms, for FY11 it was about 43,000 cost per metric tonne for paper. What do you expect that for the current year?
- Mukesh Dhruve:** It's more roughly close to Rs.45,000 a tonne. This time we expect something in the range of 42 to 43.
- Neerav Dalal:** No, because if you go to the annual reports, it comes to about 43,000 odd and 11% increase.
- Mukesh Dhruve:** That's right.
- Neerav Dalal:** So, you would believe that to maintain or will increase by...?
- Mukesh Dhruve:** Yeah, with a view to maintain that or we might improvise on that also.
- Neerav Dalal:** Okay, okay. Sir, my next question is, sir how will the payment be for MPS? And the 250 crores revenue that would come, would that be other than what you are currently doing with them?

Mukesh Dhruve: Let me clarify this question, because I have read about this in the press a lot, in the televisions, one has heard a lot. We are not taking over or dealing with MPS. MPS is a listed entity of Macmillan Publishers India Limited, which is a separate entity based in New Delhi. It is a BPO business. We are not dealing with them at all. We are dealing with Macmillan Publishers India Limited, which is in the publishing business and we are taking over their Chennai unit which is into the printing part. I am clarifying this, because lot of confusion has been created by people and I am clarifying. Since you asked this question and I am thankful to you for asking this question, so I could clarify this. Number two, as far as 250 crores business is concerned, as I mentioned, 250 crores business which we are expecting over five years and that will be with a minimum volume commitment of 75 million books over the next five years.

Neerav Dalal: Right. But, then would it be new business?

Mukesh Dhruve: I am answering your question my friend. Number three, the Macmillan business will be over and above our existing business.

Neerav Dalal: Right sir. And how much have you paid for it, any number?

Mukesh Dhruve: Yes, we have done a slump sale deal for about 4.25 crores. That is the total bid for the unit that we are taking over.

Neerav Dalal: Okay, right sir. Sir, you had spoken that by the end of Q2, capacity would come up. So, if you could tell me what is the current capacity and what would be the increased capacity?

Mukesh Dhruve: The current capacities between both the plants is about 300 crores in top line. Once we complete the expansion, our capacities will be anywhere between 500 to 550 crores.

Neerav Dalal: Right. Sir, what would be the CAPEX that you have done for 300 to 550, what will be the CAPEX?

Mukesh Dhruve: Close to about 80 crores.

Neerav Dalal: 80 crores. Okay, so for 80 crores you are adding about 200-250 crores of revenue?

Mukesh Dhruve: That's correct.

Neerav Dalal: Right. Sir, my fourth question was the, I think the MAT is about 18½% and not 10%, if I am not mistaken.

Mukesh Dhruve: No, we are talking about the 10% on the income. 18.5% as the percentage.

Neerav Dalal: Okay, 10% on the taxable revenues.

Mukesh Dhruve: Yes, that's correct.

Neerav Dalal: Sir, this Macmillan capacity, how much would that be currently if you have?

Mukesh Dhruve: Macmillan has a capacity of producing about 6 million books, which in terms of top line would come to about, just about 20 crores.

Neerav Dalal: Okay, currently I think you will have 20 crores contribution from the South, so that would increase.

Mukesh Dhruve: That's correct.

Neerav Dalal: Right sir. If there is any more, I will come back sir. Thank you.

Moderator: Thank you sir. Next question comes from Mr. Vivek Jain, an independent investor.

Vivek Jain: Hello.

Mukesh Dhruve: Yes, Mr. Jain.

Vivek Jain: Good afternoon sir. Sir, couple of questions. Sir, first of all can you give me the number for print on demand contribution that was there in this particular quarter?

Mukesh Dhruve: Yes. Altogether out of the India business, we have done close to about 6 crores of rupees for the quarter for the print on demand.

Vivek Jain: Okay. And sir, have any capacities come up in this quarter or all the capacities will come up only in Q2?

Mukesh Dhruve: All the capacities will come in Q2.

Vivek Jain: Only in Q2. So, then what is the...?

Mukesh Dhruve: Here we have got our machines, they are on installations. Some of the machines have already arrived and are under installations and some of the them are expected by next month. So, by end of the quarter all the machines will be installed and the capacities would come into play.

Vivek Jain: Okay. And sir then what would be the reason for the Surat plant doing close to 30 crores? On an average it has been doing close to 25 crores every quarter and this quarter 30 crores coming in from that plant. So, what happened exactly there?

Mukesh Dhruve: You know it has reached the peak capacity. At 30 crores, I mean 30 crores was the installed capacity or close to 32 or 33, we have reached the peak capacity there. And that is where we are doing our first expansion in fact.

Vivek Jain: Okay, fair enough. Sir, on this debtor days, they have reduced continuously as you highlighted in the initial remarks, from 141 to 98 days. As

in the earlier concall, debtor days cannot go below 90. Can we pull that number below 90 or that would be the limit we would be hitting?

Mukesh Dhruve: Mr. Jain, our efforts are to bring it below 90 and that would be the right thing. Two advantages. One is that there will be an increase in the cash flow by bringing down the debtor number of days for the company. Second, our relationship has become so strong with our existing publishers and all, where we have reached a level where we can start negotiating and bringing it down to below 90 days. So, that is going to be our effort. Yes, below 90 it will be very tough. But, our target is first to reach 90 and then think of bringing it below that.

Vivek Jain: Okay. So, for this financial year FY12, our target is to bring it down to 90.

Mukesh Dhruve: That's correct, absolutely.

Vivek Jain: Okay. And sir, on the acquisition that we have done or the Macmillan capacity will we only be using it to publish books or can we do anything apart from that? As in the annual reports and all, they won't be printed there, only the books will be printed, right?

Mukesh Dhruve: You can print annual reports, you can print books, you can print anything. But, our focus is going to be only on education. So, as far as we are concerned, we will be printing books only and mainly educational books only. And I am sure you are aware that annual report business, you can send annual reports by email. So, that business itself will come down dramatically in the coming years.

Vivek Jain: Okay, fair enough. And sir on this plant, what is the EBITDA margin? Would we be planning a similar EBITDA margins or the profile will be different for this plant?

Mukesh Dhruve: See, the total capacity of the plant is about 20 crores. Of course once it merges with us, we will plan similar EBITDA levels, that is the whole purpose of the merger.

Vivek Jain: Okay. So, you are saying we can maintain the margins.

Mukesh Dhruve: Yes, we want to target to maintain that.

Vivek Jain: Okay, fine. And sir, is there any, you just mentioned that you paid close to 4.25 crores for this plant. So, apart from this, is there any CAPEX that we plan to do on this plant itself other than this amount that we paid for?

Mukesh Dhruve: Yes. We may have to do some reengineering and bringing in some new machines, which as we take it over and as we progress, we will take a decision on that. But, that will not be very substantial as I said.

Vivek Jain: Okay. And sir, there is a clarification, you said the plant has a capacity to do a 20 crores turnover, that is per annum, right?

Mukesh Dhruve: That's correct, per annum.

Vivek Jain: Sir, then how do we plan to do a business of 250 crores over the next five years? We will have to ramp up the capacity significantly then.

Mukesh Dhruve: The capacity of the Chennai will belong to Repro India Limited. And then Repro India Limited, has a contract with Macmillan for doing 250 crores and Repro India is free to do this printing in Chennai, in Bombay, in Surat, whenever they want to. So with enhanced capacities that's what we are going to do my brother.

Vivek Jain: Okay, okay. Got it sir. Sir, that's it from my side. Thanks for taking my question.

Mukesh Dhruve: Pleasure, absolutely.

Moderator: Next question comes from Ms. Shalini Gupta of East India Securities.

Ms. Shalini Gupta: Hello.

Mukesh Dhruve: Yes Shalini, good afternoon.

Ms. Shalini Gupta: Hello sir. Sir, actually I am still not clear about the capacity that comes on board. Last time we had met you, you had said that Repro has a capacity to print 1 million books per day, which will go up by 80% to 1.8 million books per day after the expansion. But, now you have said that the capacity that you are taking over will be 6 million books. So, is 6 million books per year or if you could just give it in terms of how many books per day that will be very helpful.

Mukesh Dhruve: Okay. To rephrase the entire thing, I think when we had met Shalini; I said our 1 million will become 1.5 million. So yes, that was the point that once we enhance our capacity, it will go till number of books to 1.5 million books. Now, when we take number of books, it is a standard book of the 100 pages of 1 million quantity of 100 pages. Now, when you talk in terms of actual number of books, you can get a book of 100 pages, 150 pages, 200 pages, going right up to 1000 pages. So, when I print a book of 1000 pages, naturally a million books cannot be produced. So, in some of the books when we say, standard 100 page book, which we can produce a million, once we complete our expansion in both our plants, that 1 million will almost go to 1.5 million books. However, as I said it is easier to quantify in terms of top line which is from the current 300 crores, we will go to around 500 to 550 crores. So, that is what I meant that almost another 75% to 80% capacity will be added to the existing plant. If we add 300 to 550, that's an increase of almost 250 crores, which translates almost to 80% increase in the capacity. It was not 1 to 1.8 million, but 1 to 1.5 million books, but enhanced capacity of almost 80%. As far as Macmillan is concerned, the capacity of the books that they produce at their plant is 6 million books in a year that they do there. Now, once we take over, we may revamp the plant, we may enhance the capacities as we are doing in our existing plant, we may change the plant to that extent. But, the current capacities they have is 6 million books a year.

Ms. Shalini Gupta: Okay. And sir my second question was that if you could just give the value and the volume break up for the turnover in this quarter.

Mukesh Dhruve: In terms of value, I think I have already said that as far as the values are concerned, it is 72.76 crores that we have done. Unfortunately, I don't have the quantities right now in front of me, but I think I will mail it to you separately. So, the top line is 72.76 crores.

Ms. Shalini Gupta: No, sir actually if you could give the growth, you have achieved 22% growth, so how much of that would be due to the volume increase, as in maybe 15% or maybe 20%?

Mukesh Dhruve: No, no, Shalini, the volume increase has not happened, because of the increase in the capacities, because as I mentioned the capacities are coming into place. We have received the machines in this quarter and some of them are in installation and some of them are on the process of coming to both the plants. The total capacity will increase by end of this quarter. This has happened from better efficiencies and more effective utilization of our existing capacities. New capacities have not been added as of now.

Ms. Shalini Gupta: No, sir actually, pardon me, but my question was a little different. I was really trying to ask you is, of this 22% overall top line growth, how much has been the volume growth as in you printed 20% more books, if you could just give some sense of that sir? How many more books did you print in the quarter?

Mukesh Dhruve: Yes. Almost close to 20% more.

Ms. Shalini Gupta: Okay, 20% more would be your volume growth.

Mukesh Dhruve: Correct. Yes, the volume growth.

Ms. Shalini Gupta: And sir, my other question was with respect to the exports duty. Is there any export duty on books as of now?

Mukesh Dhruve: No, nothing. No duty on export of books. Just for your information, there is no duty, export duty as well as anywhere in the world just to export books. There are no import duties also.

Ms. Shalini Gupta: Okay. And sir, my other question was with respect to the State Government contracts, which is a big business for you in terms of printing. I just wanted to understand which are the bigger publishers for whom you print these State Government books?

Mukesh Dhruve: In India, I would say we do not publish for State Government books. That is a very different category of publishing. Because take for example, Maharashtra you have got the Bal Bharati here. So the Bal Bharati, the content is owned by the Government and they get it printed themselves, which is the Maharashtra board which gets the printing done. And that is given to almost more than 300 different small printing units who do the printing. As far as we are concerned, we do the printing for large publishers like Oxford, Cambridge, Penguin, Pearson, say if you have chartered accountant, Symbiosis, large business running education institution. These publishers would supply the books to large number of schools. Take for example, Macmillan with whom we have tied up, they supply books to almost 20,000 schools in India. And after this tie up with us, they have to stop worrying about how to get the books. They will now

start expanding their reach from 20,000 to much more schools. They will start to focus on their core activities, which will be on the content development and creation and marketing of the publishing activities. So, that is how they will be regulated for all of us.

Ms. Shalini Gupta: Sir, actually again pardon me, but I am just trying to understand this a little better. Like, you have the State Board. Basically, there is a Bal Bharati in Maharashtra, which is responsible for publishing books for all the State Government schools in Maharashtra. So, Bal Bharati would be giving out the contracts to different printers like yourself. And so I just wanted to understand like, how many big printers, so basically they are the only publisher in one sense?

Mukesh Dhruve: That's correct. They are the publishers. To clarify the point, we do not print anything for Bal Bharati. Yeah we do not do anything for Bal Bharati nor do we do anything for any State Government as of now. That's why I am saying Bal Bharati is decided by the Bal Bharati Board which is the ministry of education Maharashtra Government. They ask for tenders and almost about there are 300 different printing units who do this job. We are not a part of that. There is a text book bureau owned by the state government which handles this. We do not deal with them at all as of now.

Ms. Shalini Gupta: So you would be essentially dealing with...in education you will be dealing with people with publishers who supply books for ICSC and CBSC school.

Mukesh Dhruve: Yes you are right partly. But these are all private publishers. These are not state government publishers. We deal with all the private publisher and we supply for ICSC, CBSC for all the courses.

Ms. Shalini Gupta: Okay and sir is it fair to say that your business is a seasonal business?

Mukesh Dhruve: Not at all. It would have been once upon a time about 15 years back or 20 years back when it was seasonal. Now since we are dealing in domestic and export markets school opens at different times in different countries. Like in India you have got schools opening in June. In West Africa you have got schools opening in August-September; in East Africa schools open in January. So you are almost covering all throughout the year, so seasonality has more or less gone. However, I would like to add a rider here saying that there can be sometimes burst of demand which can go up and down in a quarter. It would be difficult to predict that if I have done X, it would be X plus something, sometimes it can be X minus something also.

Ms. Shalini Gupta: Fine. So that is all from my side thank you so much.

Mukesh Dhruve: Pleasure.

Moderator: Next question comes from Mr. Kiran Vora of Mayur Share Broking.

Kiran Vora: Hello...hello...?

- Mukesh Dhruve:** Yes Kiran.
- Kiran Vora:** Good afternoon sir. Sir almost all the questions have been covered. I just wanted to know the revenue mix for the quarter what was export sales and domestic sales.
- Mukesh Dhruve:** Export was 60% and domestic was 40%.
- Kiran Vora:** Okay and sir what was the current debt in our book?
- Mukesh Dhruve:** Current debt long-term and short-term together is about netd is 90 crores.
- Kiran Vora:** 90 crores plus (inaudible) cash.
- Mukesh Dhruve:** That's right.
- Kiran Vora:** And sir, how much CAPEX we have. You know we already incurred for one new capacity expansion?
- Mukesh Dhruve:** We had incurred a total of 80 crores.
- Kiran Vora:** No. How much you have booked in FY11?
- Mukesh Dhruve:** In FY11 it was work in progress so nothing has been booked. Most of it was booked in the first half.
- Kiran Vora:** Okay sir, thank you sir. This is from my side.
- Moderator:** Next question comes from Mr. Jigar Shah of Kim Eng Securities.
- Jigar Shah:** Good evening Mukesh Bhai. Heartiest congratulations to all of you. It is quite good to see the numbers that you reported. They are above expectations and I hope you will continue with similar surprise going forward. I have a couple of questions. One is the 72 crores of revenue. Can you us a breakdown in terms of the educational segment, annual report and other segments, digital printing etc.?
- Mukesh Dhruve:** Out of this total business 60% Jigar was exports and 40% was domestic and out of the domestic business, the total domestic was about 29 crores 18 lakhs, out of that close to about 12 crores was annual reports and about 6 crores was digital business and the balance was from education. So focus has been again education and education has been the major segment.
- Jigar Shah:** Okay and what about exports?
- Mukesh Dhruve:** Exports is 100% education books. I would put it this way Jigar. Going forward as we have always mentioned, we want to focus on education and global education. Focus is going to be almost 90% to 95% business will be from educational books.

Jigar Shah: Right okay that's good. Secondly if we see your movement in the EBIT margin, with a growth in turnover of about 12 crores, your profit has increased by 6 crores. So as we go forward and as we see more incremental turnover probably I think we should be able to achieve 75 to 80 crores going forward for the quarter. So do you think similar kind of incremental profit is possible to maintain?

Mukesh Dhruve: To answer that question...we do not see that happening but it is difficult to predict...too early to predict those kind of numbers, but....

Jigar Shah: Or let me ask sir, what has caused such a strong margin improvement. I think very significant margin improvement has happened so what is causing that?

Mukesh Dhruve: Yes, I think one of the key contributors to this is the reduction in the price of raw materials, raw material cost has almost come down by 3% point, from 59% to 56%...I think one of the major contributors. If you see...I will explain it in the percentage terms. There is a growth or improvement of almost from last year when we were 100% now it is at 18%, 3% contribution has come from the cost of raw material. The operating costs because of the efficiencies we have achieved in both the plants has gone down by a percent point, from 19% last Quarter it has come down to 18%. The staff cost though in absolute numbers have gone up, in percentage terms because of the growth in the top line has come down from 12% to 11%. So there is a reduction of 1% there and the other income which is basically that export incentive and FOREX which is a very insignificant portion this time is about 25 lakhs has contributed to 2%. So 3% is raw material, 1% in operating cost, 1% in staff cost and 2% in other income altogether contribute to 8% improvement. Going forward I would say yes the top line will improve or increase. Definitely the operating cost and all efficiencies will all come into play. We expect to remain at this level going forward.

Jigar Shah: Okay and my last question is pertaining to Macmillan. I think you have mentioned about probably the cost that you would pay to acquire etc. I wanted to understand a little bit more on the existing operating metrics of this business. If you can little bit dwell on that, what kind of revenue and what kind of margin they are doing. If you can explain what kind of head count we are taking up as a result of this acquisition.

Mukesh Dhruve: At present as I have explained, they have an installed capacity of close to 6 million books and altogether they have a total volume of about 15 to 17 million books. So besides the 6 million books, the balance books as such is outsourced and they go to 2, or 3 or 4 printing presses in Chennai and elsewhere for getting that outsourcing done. Now as far as the unit is concerned, I think it is making a decent profit. We have not gone into too much of numbers because that is not very significant the way they were working and the way we will work. However, I will say that they are in a different margin of almost about 5% to 7% on the existing 6 million books that they were doing. In terms of man power, we will be taking on board the existing entire staff as is where is. They have 154 employees out of which 148 are workers and the balance six are the executive cadre level. So I will put it like this, that altogether they were doing a decent margin but once we take over we will change the entire metrics keeping in mind what we are doing and what (not clear) in southern India. WE will not be restricting ourselves to the 6 million books which they are doing, we may do those six million books elsewhere in any of the plants and we will renovate that plant and bring it

to the levels that we want it to. So there will be a big change in the way it is being done and the way we will do it. However, we will not be changing any of the employees. The employees will continue as is. They have got a brilliant set of people. We have met with all of them and very, very good people that they have got, terrific talent that we have acquired through the kind of people that they have there.

Jigar Shah: Can you share at this point of time what kind of CAPEX you will do over there?

Mukesh Dhruve: Difficult to judge Jigar at this moment. But we will be doing some basic improvement, maybe we will put up some good binding lines, may be some printing machines. Once we take over Jigar and then as we move forward we will be able to take a decision. It is too early to predict what kind of CAPEXes. But it will be a nominal CAPEX.

Jigar Shah: Okay I understand and I think most of my questions were answered...

Mukesh Dhruve: Altogether, the building is in the prime locality of Chennai, it is right in the center of Chennai, 56,000 sq. ft is the built up area there and they have got a very decent size of good plant and machinery which is there.

Jigar Shah: Okay I think this is quite good and I would like to wish you all the best.

Mukesh Dhruve: Thank you so much Jigar. Thanks for all your good wishes.

Jigar Shah: Thank you.

Moderator: The next question comes from Mr. Neerav Dalal of Sharekhan.

Neerav Dalal: Thank you sir for giving me the opportunity. I just had one or two questions. One is of the export revenues is it entirely Africa or is there any other location as well?

Mukesh Dhruve: No. First of all I would like to clarify Africa is not Africa. Africa consists of 54 countries. I think most of the people have a misconception of Africa. Each region is different from the other region. South Africa and the _____ region which is the southern African development region is a different entity by itself. East Africa is different and West Africa is different and the Francophone countries are different. At present we are dealing with almost close to 22 countries there and we have got in this quarter business from about 11 to 12 countries there. And we have got business from UK and business from Europe.

Neerav Dalal: But say 90% would be Africa of the 60%?

Mukesh Dhruve: Yes 90% would be from the 11 countries of Africa.

Neerav Dalal: Right. And sir what would be the current order book?

Mukesh Dhruve: We will be close to more than 60 crores as of now.

Neerav Dalal: This would be domestic and export together?

Mukesh Dhruve: Yeah that's correct.

Neerav Dalal: Right sir. And sir if you could just dwell on the African market...I have actually gone through and is it entirely from the aided fund or how does it work...the Africa market?

Mukesh Dhruve: There are three forms of businesses that come from Africa. One as you rightly said which are the aided project and the aid comes from World Bank, UNICEF, from the Canadian Government. There are quite a few European countries which give them a lot of fund. One is the aided project which comes there. Second is all the African countries have developed their own content and their own publishing companies have come up very, very well. There is a lot of publishing business which comes under publishers who has generated lots of content and the business comes directly from publishers which just supply to the school there. Just like we have the Macmillan and Oxford in India, similar publishers are there and I am sure you are aware historically Africa was a British colony. Most of Africa was British colony and so almost the system that you follow of education in India is what they follow back home there. Most of the countries like Ethiopia or the Francophone countries which were French colonies and very few were Portuguese but most of it was British. So the second model is the Publishers who create a lot of books, these go to school. And third is the Ministry of Education in each country, just as we have got our governments here, the Ministry of Education keeps on giving out tenders for books which they want to distribute to their schools and state free of cost. Thus basically there are three forms of businesses that we get from there.

Neerav Dalal: And what would be the contributions from them? The higher business would be coming from publishing business or the aided?

Mukesh Dhruve: Maximum is coming from the publishing business. However I would like to add also that a lot of business that the publishers get would also be aided sometimes. The model would work like this, that the Ministry of Education would get the World Bank aid and then sometimes they do not have the content so they would give it to the publishers and the publishers would in turn give it to us. So indirectly the work that we do with the publishers is aided by the World Bank.

Neerav Dalal: Yeah right but then you were getting business from the publishing and not directly?

Mukesh Dhruve: Yes not directly. However I would like to add to this that we are on the recognized panel of World Bank and UNICEF as well as the International Labor Organization and we supply books directly to them also.

Neerav Dalal: Right sir and sir pertaining to India, like last year you had said that you had got the electoral business. Is there anything similar this time now and how much does the government contribute in the domestic business?

Mukesh Dhruve: My brother at the cost of my business, I see no elections happening in India regularly, it costs all of us a lot of money and the exchequer a lot of money. But yes whenever the election business happens we are there and we will be able to do that. It is not just based on the elections and I wish it does not happen often.

Neerav Dalal: Right so of this 40% there is nothing much from government?

Mukesh Dhruve: Nothing. This quarter nothing from the government.

Neerav Dalal: But generally for say FY11?

Mukesh Dhruve: FY11 I think we have done close to about 10 crores altogether for the government.

Neerav Dalal: That's it? Okay.

Mukesh Dhruve: To answer your question practically, I don't think government business contributes too much to our business.

Neerav Dalal: That's it so that is what I wanted to know. And the education comes directly from the publishers.

Mukesh Dhruve: That's correct.

Neerav Dalal: So thanks a lot sir.

Mukesh Dhruve: Pleasure.

Moderator: Next question comes from Mr. Bhavin Shah of Kotak Investment Advisors.

Bhavin Shah: Hi Mukesh Bhai this is my first call so I want to get a little bit more basic. If I look at your deal, we are talking of 50 crores revenue per year for the next five years from Macmillan...?

Mukesh Dhruve: Yes.

Bhavin Shah: The way it just seems and the current facility is just 6 million volume of books that they have been doing. That would translate into what revenues? That would translate into what revenues for six million books?

Mukesh Dhruve: Close to about 20 crores.

Bhavin Shah: The way the deal is, it seems to me that this deal was actually a services transaction and the facility was thrown in as part of the deal.

Mukesh Dhruve: I don't think that is a right way to look at it because let me exactly quote to you rather than what we have said. Take for example Mr. Rajiv Beri who is the Managing Director of Macmillan Publishers in India where he says very clearly and I quote exactly the way he has said it that "Printing is not our core activity

and we would like to focus on publishing growth. This is a strategic decision which will further concentrate our investment and energies in development and delivery of quality with this content. We are delighted to have Repro as a partner who we believe share our culture and quest for excellence. Also we are confident that under Repro our printing operations will get the required attention, investment and focus on worker's welfare". Let me answer you correctly so this doubt will get cleared. Publishers globally do not own any printing presses. So as far as Macmillan is concerned, their core business is publishing and printing was taken by them a few years back because there was a need in some of the state government tenders and orders that you take up in the olden days there was a bureaucracy system that you must have your printing press to do publishing business also. Now this is no longer there plus the core competency of Macmillan is to create content and to do publishing and Repro's core competency is to do printing, distribution and help publishers in removing the same area so that they can focus on their core activities. As far as we are concerned, yes we have been dealing with Macmillan globally. We are dealing with them in UK, we are dealing with them in India and we are dealing with them in several countries in Africa. So it was a kind of strategic tie up where we are taking care of all their needs and yes printing is not their core industry which we have taken over. So the acquisition if you look in the right perspective is not a service acquisition. It is a kind of a contract or kind of acquisition where both of us are focusing on our core activities and it will be a win-win situation for both the organization.

Bhavin Shah: Sir when I mentioned this the way I was looking at it was the contract of 250 crores is where your gain is really coming from more than the facility because anyway you are expanding your facilities. Facility whether you get was not the driver for you. The driver was getting the services contract of 250 crores.

Mukesh Dhruve: Yes just go on.

Bhavin Shah: I am just trying to put forward my understanding and is this correct?

Mukesh Dhruve: I would say it is a mix of both because for us it was of course the 250 crores which you are quoting but more important was we wanted a foot print in southern India. Southern India is growing very big in education. Last year we did business close to about 15 to 18 crores of business. Our focus in India has been western India and northern region. Now northern region also we have just started last year in big time, but our focus has always been the western region. Last year we test marketed in southern India and we wanted a footprint in southern India to be close to the publishers. So once we acquire the facility, we will start to expand that and we will have to grow that. So that was *the* driver, the driver was a combination of both.

Bhavin Shah: Okay. With this contract Macmillan will contribute to what percentage of our revenue?

Mukesh Dhruve: On top line if you see, it will be about 50 crores but you cannot take 50 crores sequentially. You know the business of 250 is over 5 years. The first year it might be about 35 to 40 crores and then we keep on growing. Altogether in five years it will be 250 crores.

Bhavin Shah: Okay but if I say 35, 40 crores in the first year; you always do work for Macmillan right now also?

Mukesh Dhruve: Yes but not significantly.

Bhavin Shah: The other point I had is, because it is a large contract...a five-year contract, are the margins going to be kind of lower than what we are making right now because it is a large contract or will that have an impact on our margins at all?

Mukesh Dhruve: No it will not have an impact on our margins. We will get our normal margins.

Bhavin Shah: Last question is looking at the 40 odd crores debt on the books and 54 crores of cash on the books, what's the background behind keeping such a large cash on books while having debt also on the books? Obviously our interest costs are not significant, net interest, but what is the rationale of keeping such large cash on the books? Is there any clear policy on the dividend from the company in terms of dividend pay outs?

Mukesh Dhruve: Okay there are two parts and I will answer both the parts. The first part is we are in an expansion mode, we are in the growth mode and it is always important to have cash on books by which you can plan your expansions and do it from internal generations rather than borrowing all the time. So that is one of the key reasons and we thought it is always better to have cash on books rather than try to reduce the debt, number one. Number two, our cost of borrowing as you can see is close to about 5% because our entire borrowings are in ECBs, foreign currency loans and all our working capital loans are mostly in packing credit finance since we do maximum exports. So cost of borrowing like LIBOR plus 300 basis point which works out to roughly about 4-1/2% to 5%. Now this (not sure) which is there definitely contributes. One it gives us a scope for quick expansion for growth plans that we have in our mind for the coming years. Two, it definitely offsets our interest income also. Interest costs rather. This gives us better margins on the cash on hand and the interest cost you are seeing there. But that is not the intention. The intention is to keep cash on hand for growth and expansion.

Bhavin Shah: .Okay and on the dividend payout...

Mukesh Dhruve: On the dividend payout the Board has taken a policy of a payout of between 25% to 30%. It will include the tax component it works out to 32% payout.

Bhavin Shah: Okay fantastic. I think it is a fantastic set of numbers and I think this acquisition can be very, very accretive to you. Good luck.

Mukesh Dhruve: Thank you so much.

Moderator: Next question comes from Ms. Grishma Shah of Envision.

Ms. Grishma Shah: There are two questions. In the last concall of 26th May you said the current expansion can take you to almost 400 crores but this time you are saying 500 to 550 crores. So why a disconnect?

Mukesh Dhruve: Last time when I was speaking to you, we had planned an expansion only in Surat and that was going to take us to 400 crores, post that event we planned an expansion in our New Bombay plant also and that expansion will take us to the balance 550 crores. So at that point of time the expansion was only at Surat. Now we have something in New Bombay also.

Ms. Grishma Shah: You have mentioned in that call upto 200 crores for Surat and upto 200 crores revenue capacity for Bombay.

Mukesh Dhruve: The current capacity of New Bombay was 200 crores before the expansion and Surat was close to 120 crores which will go upto 200 crores. With the expansion Surat from 120 crores will go upto 200 and New Bombay existing capacity is 200 crores. You are absolutely right on that. Once we do the new expansion in New Bombay it will take us to 500 to 550 crores.

Ms. Grishma Shah: Okay and you also mentioned a vision of reaching to a 500-crore top line. How confident are you with Macmillan's order now on the side of reaching this goal without any other inorganic acquisition.

Mukesh Dhruve: We are quite confident as I said our normal organic growth. We are very happy to grow at 25% to 30% which is what is happening year on year as we can see. With Macmillan it will definitely add to it. But 500 is the goal post which we have in mind and it is difficult to predict so early. It might be too early to say these things. As we progress we will come with definite numbers but too early to predict those numbers. 500 is definitely the goal post in our mind, but it is difficult to answer at this stage with the time frame.

Ms. Grishma Shah: No, but what I also wanted to understand particularly from the Macmillan order is, is there anything which is related to milestone or anything which will then give you the 250 crores over five years or is it a neat and clean orders.

Mukesh Dhruve: It is a neat and clean order as simple as that. We are thinking the 250 crores before 1st August. In fact we have in principle agreed on everything. Our Board has approved the entire proposition yesterday in the Board Meeting. Macmillan is going to have an AGM this month. So once their Board also approves, then we sign out the agreement. It is a clean deal, no "ifs" and "buts", no riders attached to anything.

Ms. Grishma Shah: Okay fine. Thank you and good luck.

Moderator: Next question comes from Nayan Mehta of 21st Century Shares and Stocks.

Nayan Mehta: On depreciation I wanted to know, since we incurred some CAPEX, our depreciation has remained almost the same as it was last year so can you just throw some light on that?

Mukesh Dhruve: Yeah as I said the CAPEX is happening in this quarter and the previous quarter has just started it. So the capitalization will happen at the end of this quarter so then the depreciation will change in the coming quarters. As of now there is no change in depreciation. Till I capitalize I cannot claim depreciation you know my

friend. I am sure you are aware of the Company's Act and Income Tax Act. Till you install your machine, till you put to use, and till you start manufacturing, then only depreciation can be applied.

Nayan Mehta: Okay. The second is, since you will be using only a small fraction of your available cash for this acquisition, is there any further plan on the anvil for any such inorganic initiative?

Mukesh Dhruve: As I have mentioned always we are always looking at inorganic growth opportunities available in India as well as outside India. We are going to be open to that and that's one of the reason we are keeping this cash on hand.

Nayan Mehta: Have you short-listed any of the companies either in India or outside?

Mukesh Dhruve: It is difficult to answer at this stage. There are processes involved in all this. For example, Macmillan once we identified we started discussion there is a process that they have to undergo. They appointed a good firm of their own auditors and chartered accountants. We had to do a due diligence from our side. There is a big process. Till the process gets over it is difficult to announce or say anything. So yes, we are keeping our eyes and ears open we are open to such acquisition, whatever will add value to our share holders, whatever will add value to our business we'll be open to that. And it will be not only in India we are looking also outside India.

Nayan Mehta: Okay great sir. Thank you and wish you all the best.

Mukesh Dhruve: Thank you once again Nayan.

Moderator: Next question comes from Mr. Ravidra Shah of ISHA Securities.

Ravindra Shah: Hello...?

Mukesh Dhruve: Yes Ravi good afternoon.

Ravindra Shah: Yeah good afternoon sir. Sir, my question is this deal size is...I have participated in this conference call at a later stage...can you please repeat again what is the total size of Macmillan print division...total value we have?

Mukesh Dhruve: Okay. Since you have asked, at the cost of repetition I will just tell you. We have acquired the Macmillan Publishers India Ltd. Printing division which is based in Chennai and the deal is to take over the entire printing unit and the total value we will be paying for that is just about 4.25 crores. However, with that we are signing a business of 250 crores over the next five years which will translate into a volume of almost 75 million books.

Ravindra Shah: Okay is there any other profit sharing agreement between you and Macmillan Publisher?

Mukesh Dhruve: Just come again, I didn't get your question.

Ravindra Shah: Is there any profit sharing agreement about this 250 crores revenues that you are talking about?

Mukesh Dhruve: No, there is no profit sharing. Absolutely no profit sharing.

Ravindra Shah: And you have also mentioned earlier that you are getting 56,000 square feet building at Bangalore. This is all in lease base right?

Mukesh Dhruve: Yes that's on lease base, this is in Chennai. It is not in Bangalore, it is in Chennai and it is on lease base. The lease is there for the first five years and renewable after that.

Ravindra Shah: Okay right. So you don't have to pay a lease for the first five years?

Mukesh Dhruve: No we have to pay a lease rent only for the first five years.

Ravindra Shah: Okay and only 4.2 crores we have paid as of now for this printing division?

Mukesh Dhruve: That's correct.

Ravindra Shah: Okay what is the existing margin of the (not sure) business – EBITDA margin?

Mukesh Dhruve: They are earning in the range of roughly about 8% to 10% as I said earlier and we will try to see how we can improve on that.

Ravindra Shah: Okay sir, thank you sir.

Mukesh Dhruve: Pleasure.

Ravindra Shah: Next question comes from Mr. Abhijeet Tyagi of Quick Search Pvt. Ltd.

Abhijeet Tyagi: Hello good afternoon sir Abhijeet this side. First of all let me congratulate you for the fantastic set of numbers that you have delivered. I just had one question since Repro is predominantly into exports market as 60% of your revenue comes from export market and of that 60% also 90% is from African market, what would be the rough size of the market and how do you see your share in the scene in absolute terms growing in this area.

Mukesh Dhruve: You asked three questions together and I will answer all three of them. First question is that our focus is on exports, I would say that our focus is on both the markets – India as well as exports and we want to remain in both the markets as we grow and move forward. As far as the total printing industry is concerned, the print market is concerned; it is expected to be close to 720 billion dollars by 2012. These are the estimates for global printing industry. Of the 720 billion you can say close to about 100 billion will be only for educational books. Of those 100 billion, very close to about 10 to 12 billion dollars are spent in India itself on education. So if you look at the global market it is too huge. This includes all forms of printing, but we

are only focusing on only one which is the education books. As far as our customers are concerned in India as well as exports, take all the large publishers that we are dealing with, I would say we are doing less than 10% of what they want us to do today.

Abhijeet Tyagi: Thank you sir, thank you so much.

Mukesh Dhruve: Pleasure.

Mukesh Dhruve: Next question comes from Ms. Varsha Bang of Vertex Securities Limited.

Ms. Varsha Bang: Hello good evening sir.

Mukesh Dhruve: Yes Varsha good evening.

Ms. Varsha Bang: Congratulations for the good numbers. The question was answered, but just a simple question, the cash you are having in the hand another 54 crores, I just want to know what will be use of that cash. I know the acquisition will be done whenever the opportunity comes in your hand, but then sir in this quarter will be some usage of this cash?

Mukesh Dhruve: Varsha as I mentioned we are keeping the cash on books primarily for our growth and expansion. All of or CAPEX that we are doing, most of it is being serviced or used from this internal remission and we have some ECB loans which we are utilizing. The advantage of the cash on books is mainly for this expansion and till we are not utilizing it, we are reducing our interest cost.

Ms. Varsha Bang: Sir any other plans you have in your hands to go ahead...?

Mukesh Dhruve: I will put it like this Varsha; we are looking at inorganic growth in India and outside just as we have just completed Macmillan. We are looking at inorganic growth. Difficult to predict. It is too early to say anything.

Ms. Varsha Bang: Sir anything which is in organic growth you are planning to get in? Trying to go for the...any organic segment?

Mukesh Dhruve: Yes we are looking at both options – organic as well as inorganic.

Ms. Varsha Bang: Okay and second thing sir, as you said government business you are getting hardly; so any try is going on to get the business from the government also because even the government also has lots of publishing books. Actually we know that government is changing every year the syllabus. So any way you are trying to get the orders from the government also?

Mukesh Dhruve: I will put it like this. It is a very different machinery and we have never worked with them. However we are open to that. We are working with one of the governments with Karnataka but not directly with them. There is a company called Educomp. I am sure you have heard about them. They get the order from the Karnataka government and back to back we print for them and supply to Educomp who in turn supplies to the government. So we are looking at such alliances that can happen.

However, the state government business as you rightly said is changing dramatically. Most of the state governments all over India is now looking at professionalizing their own courses and their own education and they are realizing that the content that they have is now getting outdated compared to the contemporary education system that is prevailing. Large publishes like the one which we have signed up a contract is Macmillan. Macmillan itself looks at opportunity to supply books not only to the ICSC and CBSC courses, but moving further, the state government might be opening and buying books from the publishers. It could be Macmillan, it could be Oxford, it could be Cambridge, it could be all these large publishers. Today we are in a position where we are dealing with the publishers in a very substantial manner. Once these orders of the government opens for these publishers, you can imagine what kind of business can flow to Repro India Limited. There is a huge opportunity in India itself and that is why I mentioned sometime back that we are going to remain in India as well as outside India. India itself is offering a huge opportunity. Till our capacities are in place we cannot go for such large orders. It is always that till you don't have capacities people don't come to you, once you have capacities then you have the capability to take these large orders but India is going to grow tremendously in the years to come. And that's why we always going to have our footprint in India also.

Ms. Varsha Bang: Yeah that's correct. One last question...as we have done with the Macmillan acquisition, can we see the numbers of Macmillan acquisition in this quarter or in the second quarter.

Mukesh Dhruve: Difficult to say in this quarter you know Varsha because their season just got over, but as we move forward it will start coming in. We are acquiring the facility with effect from 1st August. So by the time we settle in and all that the quarter will just get over.

Ms. Varsha Bang: So we can see hardly 10% or 15% revenue will turn up in the third and fourth quarter?

Mukesh Dhruve: Yes certainly, third and fourth quarter we will get substantial numbers of whatever we have predicted.

Ms. Varsha Bang: Okay sir thank you.

Mukesh Dhruve: Pleasure.

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

Mukesh Dhruve: Ladies and gentlemen thank you once again for coming and being with us. As I mentioned in the beginning and I would like to hang in the same note. These are really exciting times for companies like Repro India Limited. In order to take advantage of what we are doing I think we need as I mentioned in the past, we need minimum 10 Repro India Limited in India to take advantage of the global opportunities that we have, great times, we can see the growth happening. We are extremely excited with the way opportunities are coming now. I think that we are extremely happy with the strategic start with Macmillan which is not only add business but we will have a great partner and a great publisher to work with and we can see

global opportunities with Macmillan all across the globe also. Thank you so much and I will see you all in the next quarter. Thank you for being with us.

Moderator: Ladies and gentlemen this concludes your 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.
