

Transcript

Conference Call of Repro India Limited

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Presentation Session

Moderator: Good evening ladies and gentlemen. I am Sheetal, moderator for this conference. Welcome to the conference call of Repro India Limited. We have with us today, Mr. Mukesh Dhruve, the Executive Director of Repro India Limited. At this moment, all participants are in a 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 floor to Mr. Mukesh Dhruve.

Mukesh Dhruve: Good evening all my friends, stakeholders, ladies and gentlemen. Welcome back to Repro India Limited. It is a pleasure to have you here in the first concall of the new financial year. I think I have mailed the results to everybody. I will just summarize for some of them who have not seen the results. Overall Repro has done very well as compared to quarter on quarter. There has been 21% growth in the revenues from 77 crores to 94 crores. 12% growth in the operating profit, from 14.34 crores to 16.02 crores and 14% growth in PBT from 8.5 crores to 9.68 crores and the PAT has grown from 8.7 crores to 9.02 crores. Overall if we look at the exports and the three units that we are working on, the domestic business has grown by 10% from 29 crores to almost 32 crores. Export has grown by 28% this quarter, from 48½ crores to about 62 crores. The Surat plants, the SEZ plant which is close to five years old has now grown by about 14%, from 33½ crores to 38 crores. The New Mumbai plant has also grown by about close to 19%, from 43.9 crores it has gone to 52 crores. Chennai itself has done a business of about 3½ crores. The export to domestic ratio is 66-34, which has been a big improvement.

I think one of the major questions which I have been getting from yesterday evening after we had announced the results and point one is of the increase in the operating cost, which has gone up from 22% in the previous quarter to 31% in this quarter, which I thought I should explain to all the people that what is the key reason behind that. Like most of you are aware, we do a forward cover of our dollar realizations and for the current quarter we had realization in the range of say Rs.49 or Rs.50. So, when we get our revenues, we book it at Rs.49 or Rs.50, which is our actual revenue. However, on 30th June 2012, the closing dollar rate, maybe most of you are aware was 56.50. So, as per accounting standards as you know, though we have realized it at 50, we need to book the revenues at that additional Rs.6.50. So, we increased the revenues by those amounts. And the same amount of that increase of revenue comes as forex in operating expenses. In the current quarter there has been almost an amount of 4.04 crores, which amounts to around 4.5%, which has been added there. Since exports have really grown, the increase in the commission which we pay on the exports to all over commission agents across different territories, which has almost increased by 1.34%.

Another major reason which has happened this quarter in terms of operating cost is our participation in a lot of trade fairs and book fairs. As most of you are aware we had the London Book Fair in April, we had the Cape Town Book Fair in June, we had the Nigeria Book Fair in May. Repro has been one of the lead sponsors of the Nigeria Book Fair, where we get a lot of revenues. London Book Fair, every year we used to have a small stand, we increased our stand size and we were one of the largest stands from India this year in the London Book Fair. We already booked ourselves for the Frankfurt Book Fair and a lot of travelling has been incurred as a result of which the advertising and promotion as well as the travelling cost has almost gone up by about a percent point each. So, one-one percent has been increased there. As per the board policy, moment our debts get overdue more than the number of days, we make a provision for those. For the current quarter also there is a provision of almost 1.14 crores for that, which amounts to almost 1.5%. So, altogether if you sum up all of these, it is almost 8% difference that I explaining to all of you, which is being added in this quarter. . Also if you look at it by the cost of material, cost of the raw material has gone down by 7%, from 51% it has become 44%. Again, a bit of an impact of that increase of the top line, some percentage has come down. So, to that extent there has been a set off. But, overall it has been a good quarter, the revenues have grown to 94 crores and we are quite happy with what we are seeing. This is one quarter which is weak for the India business, because of the publishing business gets to the peak in the last quarter of the previous year. This is one quarter where the India business did not happen much. So, you can see there has been a big jump in the exports. But, it is a good beginning, because if you look at it, like last year also first quarter always looks a little bit weak and then the growth starts happening. So, if you look quarter over quarter, against 77 crores, Repro has done about 94 crores. We have a good growth of 21%. We see this growth continuing. And as I always say, we expect in the range of 25% growth level. We don't give you any forward looking statements, but we will be disappointed as I said if we don't do 25%. 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 want to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from, Mr. Chandran Kumar Shah. You may go ahead sir.

Chandran Kumar Shah: Hello.

Mukesh Dhruve: Yes sir, good evening sir.

Chandran Kumar Shah: Good afternoon sir. I have gone through your figures and all. First of all let me congratulate you and your board members and the top management for, I think in spite of economic, general economic slowdown, I think our performance is well praiseworthy according to me. And I hope the same trend will continue. And my first question, I just want a general thing, whether we will be able to continue the past trend of the last year, this year also sir, quarter wise quarter as well as for the full year sir?

Mukesh Dhruve: Thank you Mr. Shah. And I appreciate and thank you for your good comments. Yes, in spite of the depression, overall generally Repro has been growing. I will say that we will keep on growing quarter on quarter just as we did last year. I have always maintained that we will be unhappy if we don't grow at 25%-30%, that is what we are maintaining. The first quarter being the weakest, we have grown at 21% and we will see the growth happening quarter over quarter.

Chandran Kumar Shah: I hope sir, the same result continues. We will be able to maintain the same dividend next year sir? I know it is very expecting too much at the beginning. But, I hope that I think we should be able to maintain.

Mukesh Dhruve: I also sincerely hope that we should be able to maintain and not only maintain, I will put it we will have to improve it. As you know there are two things. One is, there is a stated dividend policy at the board level, where we have declared that 25% to 30% of our profit is what we will distribute among all our stakeholders, which is what Repro has been doing. Year before last we had declared a 30% dividend, which we had increased last year by 100% to 60%. Current year we have announced the dividend of 100%, which I am sure you are aware of it. So, I hope the same thing continues and we sincerely hope we can improve on this. Yeah, it is a stated board policy and we will maintain that policy going forward.

Chandran Kumar Shah: Another small thing is, I think now we are all totally self-sufficient, we don't have to phase out of job work, everything we have stopped. I think we are catering all the needs ourselves or is there still some portion being given out to others on a job work basis?

Mukesh Dhruve: Most of it is now done in house, except at times there are couple of jobs which come together. So, when they come together and there is a limited timeline within which we need to deliver, that is the only time, like for example when in the first quarter there were some annual reports which come together, as usual you get the matter at the last minute and the delivery has to be done in less than one week. So, sometimes we need to outsource, because otherwise most of it is not outsourced, it is all done in house.

Chandran Kumar Shah: I hope that is more than enough and there will be other people who have more questions. I will be on the line to listen to them. Any further questions, I will again get back to you sir. Wish you all the best once again sir. Wish you all the best once again sir. Thank you.

Mukesh Dhruve: Thank you sir.

Moderator: Thank you sir. The next question comes from Mr. Jigar Shah from Mumbai.

Jigar Shah: Good evening Mukesh-bhai.

Mukesh Dhruve: Good evening Jigar-bhai.

Jigar Shah: My question pertains to the growth for the FY13. Since the Q1 is a bit low, how do you propose to make up in the subsequent quarters? Do you

have any specific orders visibility? How will it plan out? Can you give some more light on that?

Mukesh Dhruve: Sure. As you have noticed in the current quarter also, if you take quarter over quarter, the corresponding quarter of last year, as I mentioned in the beginning we have grown by 21%. So, from 77 crores, the top line has gone to 94 crores. However, if you compare with the previous sequential quarter, yes, against 104 crores we are at 94 crores. One of the key reasons which I mentioned in the beginning was that Repro is now focusing only on education as a segment. More than 85% of our revenues are coming from education, of which normally our average is about 40% to 45% from India and the rest 50% to 55%; last it was almost 66% coming from exports. Now, education market outside India is quite well balanced. If you take West Africa, the schools open somewhere in August-September. If you take East Africa, the schools open somewhere in December. If you take South Africa, the schools open in January and February. So, it is a complete cycle which we can adhere to and which we can meet up with. India is one market where the maximum publishing business happens in Q3 and Q4, since all the schools are opening up in June and July. So, the maximum of books are printed in the last quarter, which is January, February, March. Like in the last quarter of the current year, we had done almost 60% of India business and 40% exports for that one particular quarter. So, publishing and education business for the first quarter is slightly lower, which is the trend year on year we can see every quarter, the first quarter of the year. But, I do not see or we do not see that this will impact our growth. We will maintain as I have mentioned always those level in the range of 25%. We will be disappointed if we don't do that. And the second part of your question which is the order book position, yes, Repro is in a very good position as of now. As I am talking to you we have an order book position of more than 100 crores on hand right now and we don't see that going down, as month after month that keeps on increasing. Education demand is quite high everywhere and we don't see that going down anywhere.

Jigar Shah: All the order book is executable in the current year?

Mukesh Dhruve: Oh yes, all the order book is executable. I am saying 100 crores is the order book. Our order book, normally Jigar-bhai is valid for maximum period of three months to four months. So, anything what we get has to be executed maximum in three months time. It doesn't go beyond three months. So, order book what we have on hand right now is just for the three to four months and every month it keeps on adding to that.

Jigar Shah: This is entirely export order book?

Mukesh Dhruve: No, it is a mix of India as well as export, it is a mixed order. Almost you can say currently about 40% is India and 60% is exports.

Jigar Shah: Okay. And if I look at your Q1 EBITDA margin, even if I adjust whatever you have mentioned about the foreign exchange part, your EBITDA will work out to around 16.2%, which is more or less unchanged quarter on quarter and slightly lower year on year.

Mukesh Dhruve: That's correct. It will work out to; I think if you take the current quarter it works out to about 17%, you are quite right, as compared to our overall year, last year at 18%.

Jigar Shah: Right. So, where do you see that EBITDA margins settling down in the coming quarters?

Mukesh Dhruve: I think we should do at the minimum of what we have done last year. But, I expect from Q2-Q3, that numbers to go up and get improved quite a lot, because now when the publishing season will start in both the places. We are expecting, we have done a lot of work over the last year, where we researched and looked at new countries. We have just entered the francophone countries, which is a new territory where India has entered into. We have got new orders from the French speaking countries from almost five to six new customers, which is coming through. We are expecting lot of World Bank funding through which we are going to get orders from countries like Ethiopia. We are expecting countries like Mozambique. So, huge orders are in the pipeline, which is going to happen. And export as you know has always been more profitable than the domestic business. So, overall I would say over the next, the third quarter and the next quarter things will look quite different than what they are today.

Jigar Shah: Okay. And what kind of CAPEX you have this year?

Mukesh Dhruve: We have done most of our CAPEX last year. But, current year our CAPEX plans for the normal expansion, we will be just in the range of about 15 crores. However, we are planning to invest in our digital business, which is the newer area of business. And the DSF front, which is the Digital StoreFront, is where we are doing with. We have already set up a new office in which we are going to set up this Digital StoreFront and investments are going to go into that division, which should be again maximum in the range of about 3 million dollars, which amounts to another 15 crores of rupees.

Jigar Shah: Okay. I think that will be sufficient for now. I will want others to ask questions. Thank you so much.

Mukesh Dhruve: Pleasure.

Jigar Shah: Thank you. All the best.

Mukesh Dhruve: Thank you.

Moderator: Thank you sir. The next question comes from Mr. Aditya Damani from Mumbai.

Aditya Damani: Yeah, hi. This is Aditya Damani from KM Global here.

Mukesh Dhruve: Hi Aditya.

Aditya Damani: Yeah, hi. I wanted to ask you sir that there seems to be a little bit of pressure on the EBITDA margins in this quarter and I think I noticed the other expenses seem to be going up. I just wanted to understand why is that and how do we see that going forward?

Mukesh Dhruve: Okay, at the beginning I don't know if you heard me.

Aditya Damani: Sorry, I joined a little late.

Mukesh Dhruve: Okay. At the introduction I said that the other expenses have gone up by almost 9 percent point as compared to the previous quarter. And the key reasons for those were, one of the key reasons was that we have realized our top line or our sales at about Rs.50, whereas on 30th June the dollar closed at about Rs.56.50. Because of the Rs.6.50 we need to add to the top line and since the difference between 50 to 56.50, that Rs.6.50 we had to add to the top line, which amounted to almost 4 crores. The 4 crores we had to even debit to the other expenses as forex expenses. So, that is almost 4 basis points. Plus we spent a lot on advertising and marketing, especially with the book fairs that we had participated in the first quarter, which included the London Book Fair, which was in April in London, the Nigeria Book Fair where Repro has been one of the large sponsors, which was in May and in June we had the Cape Town Book Fair, plus we have already invested in the Frankfurt Book Fair which is happening in the current quarter. So, this has almost amounted to a crore plus expenses for these book fairs and our sponsorship. Lot of travelling has been done by teams, especially in the first quarter where we need to travel a lot and meet with all the customers, where we sign our contracts with them. So, that is almost about 1 percent basis point. We pay commission on our sales, if you noticed in the current quarter 66% business has come from exports. So, we have almost paid close to about 1.34% as our commission. And there is a provision for doubtful debt which we create as per our board policy. Whenever there is a debt which is not collected within six months, we need to make a provision. So, when the debt comes we reverse the provision. That has almost amounted to about 1.14%. If you take the total of this, what I have mentioned, the forex is about 4%, commission is about 1.34%, advertising and promotion is about 1% basis point, travelling was about 1% extra and if you take the provision for doubtful debt, all these together amount to almost about 8.15% and the balance 1% is the inflation cost. So, that is one of the key reasons that the cost has gone up. As far as EBITDA is concerned, first quarter always has been little bit weak. But, if you take the immediate corresponding quarter of Repro that is Q1 of 2011-12 over the current Q1, our EBITDA in absolute number was about 10½ crores as compared to that we have done 9.68 crores. In terms of percentage we are 17%. But, over a period of time I think we will be above 18% very easily. Q2, Q3 I think you will see those changes happening. With the top line growing, with our exports increasing, we should be able to maintain the EBITDA levels which we have maintained last year. I expect improvement rather than maintaining.

Aditya Damani: Right. And sir for the doubtful debt, where is that from? Is that in India or abroad, if you can just give some color on that?

Mukesh Dhruve: Aditya, it's a mix of India and abroad. We have got board stated policies that any debt which we do not collect within six months, we need to make 25% provision. With more than nine months, 50% provision. Anything which is not coming within one year, we make 100% provisions. So before that, whether it is India or exports, we make a provision. Most of the time, we have collected those debts in view of this. But, we are following the board policies, so that we make a provision for that. I don't see this as a bad debt, but because it is just a provision, the money will come. There are some companies in India which have delayed, there are some companies outside, especially UK, some of the clients have delayed the payment. But, I expect we will get all of it. As far as export is concerned, we have ECGC cover. So, if they do not

pay or default, then we can always claim it from the insurance. We have not reached this stage. It is too early, because business is continuing with most of them.

Aditya Damani: Okay. And your receivables also sir have, I saw 117 days, what is the expectation on that? I thought you expected it to come down, right?

Mukesh Dhruve: Yes. Last year it was about 111 days, which has now become 117 days. Our internal target is to first bring it down to close to 100 days and ideal situation we want it to be 90 days. However, in the publishing business, the general trend is the credit terms are 120 days and most of the publishers get 120 days credit for wherever they do business. We are trying to bring it down. But, it is an area of concern for us internally. Our first target is to bring it down to close to 100 days. I think in the current quarter and the following quarter, we should be able to maintain that.

Aditya Damani: Okay, thank you sir.

Moderator: Thank you sir. The next question comes from Ms. Bhavika Shah from Sushil Finance.

Bhavika Shah: Hello sir, good evening.

Mukesh Dhruve: Good evening.

Bhavika Shah: Sir, I just have one question. Africa you all have added more countries, right?

Mukesh Dhruve: That is correct.

Bhavika Shah: Sir, how many countries in this quarter we have added?

Mukesh Dhruve: We have added close to about six countries, which includes the francophone countries. And currently we did business with Zimbabwe in the Southern region.

Bhavika Shah: Totally now how many countries we have reached?

Mukesh Dhruve: We are close to about 25-26 countries now.

Bhavika Shah: 25-26?

Mukesh Dhruve: Yeah.

Bhavika Shah: Okay sir, thank you so much.

Mukesh Dhruve: Okay, pleasure.

Moderator: The next question comes from Mr. Bharti Gupta from Sushil Finance.

Karthik Mehta: Hi sir, this is Karthik Mehta. How are you?

- Mukesh Dhruve:** Yes sir, good evening.
- Karthik Mehta:** Fine. Mukesh-bhai just missed few of your remarks regarding other expense which has gone up 4% you said for, 4% as a percentage of turnover due to forex?
- Mukesh Dhruve:** Yes.
- Karthik Mehta:** How much it would be in absolute?
- Mukesh Dhruve:** Absolute terms. Absolute, you are saying forex?
- Karthik Mehta:** Yes.
- Mukesh Dhruve:** See, 1% in our case is almost, because our top line is 94 crores , close to about 1 crore, though in percentage terms it comes to 4.04%.
- Karthik Mehta:** Okay, commission was?
- Mukesh Dhruve:** Commission was 1.34%. And advertising and promotion was about 1 percent point and travelling and conveyance was about 1 percent point and provision for bad debt was 1.15%. If you take the total of these, it comes to about 8.15% and the difference is about 9% between the previous quarter and this quarter.
- Karthik Mehta:** Okay. So, obviously this will not repeat except the possibility of the forex.
- Mukesh Dhruve:** Absolutely.
- Karthik Mehta:** But, this commission which is 1.34 is pertaining to your export sales?
- Mukesh Dhruve:** That's correct, pertains to export sales.
- Karthik Mehta:** So, it is going to be permanent thing, right?
- Mukesh Dhruve:** It cannot be permanent. It depends on which territory where you are working. Since we have started some new territories where we need to have commission agents, existing business may not require so much of commission. Plus in this quarter 66% business is exports and these export commission payable in this quarter.
- Karthik Mehta:** So, generally according to you which quarter is the strongest for export market?
- Mukesh Dhruve:** For export generally Q3. Q3 quarter is the strongest. Q2 and Q3 are the strong quarters. And for India Q3 and Q4 are the strongest quarters.
- Karthik Mehta:** Okay. And you also mentioned about the school opening months for Africa, if you can just repeat that, I just missed it as well?

Mukesh Dhruve: Yes. The schools in West Africa open in August and September. The schools in East Africa open in December and January. And the schools in South Africa open in Jan and Feb, maximum in Feb in fact. So, as a result that's why you can notice that Q2, Q3 are good quarters for the education business outside India. And Q3, Q4 is strong for India business.

Karthik Mehta: Right, right. And we hope to maintain, as you mentioned that 16% is a base in terms of the EBITDA margins.

Mukesh Dhruve: That's correct.

Karthik Mehta: Sir, what would be our capacity utilization, the current quarter being a lean quarter?

Mukesh Dhruve: Current quarter if we look at it in terms of overall capacity, we would be close to about, you can say 50%-55%. 55% to be precise.

Karthik Mehta: Okay, which would be improved substantially in the coming quarters?

Mukesh Dhruve: Definitely.

Karthik Mehta: Right. Sir, last question. On the taxation front, if you can just guide me, what would be the case in the coming quarters and for the full year?

Mukesh Dhruve: As you know Surat is exempted and this is the last year of our SEZ exemption as 100% in Surat. And in Mahape the rate of depreciation as per the Income Tax Act is more than in the Companies Act. As a result there is zero tax applicable to Repro India as for the current year at least. However, MAT is applicable from the last year. So, we are supposed to pay taxes as per the MAT provision. However, since from the next year only 50% of our profits will be taxable. As per the new guidelines, we are paying the taxes for the current year. There is no debit to profit and loss, because we will get a set off from the next year. So, there will not be any debit to P&L account. But, there will be a cash flow impact. However, next year when we are liable to pay 50% tax, we will have a, you can say we will have a P&L impact, but no cash flow impact.

Karthik Mehta: So, in current quarter we have paid tax which is probably 6% of PBT?

Mukesh Dhruve: Yeah. But, this tax you know is the assessment tax of the past years.

Karthik Mehta: Yeah, past years, past MAT credit.

Mukesh Dhruve: Yeah. So, assessment got completed and this was the tax payable on those past years, which is what we have to provide in the current quarter. The time which you get the order, you need to make a provision immediately.

Karthik Mehta: Right. So, in the coming quarters, how it would be?

Mukesh Dhruve: There would be no taxation for the current whole year I would say.

Karthik Mehta: Okay. So, in the next year onwards MAT.

Mukesh Dhruve: No, MAT is applicable now.

Karthik Mehta: Okay, no P&L impact. No P&L impact, right.

Mukesh Dhruve: No P&L impact, correct.

Karthik Mehta: Okay. Thanks a lot sir.

Moderator: The next question comes from Mr. Eshit Sheth from Anvil Shares.

Eshit Sheth: Hi sir, congrats on a very good set of numbers. In terms of overall outlook you have said that you will be maintaining around 25% kind of growth for the coming year, right?

Mukesh Dhruve: That's correct.

Eshit Sheth: So, how much do you think this will be volume wise growth or this is also partly is due to the foreign exchange gain that we are getting, because of our exports?

Mukesh Dhruve: Mostly it will be volume based growth. There will be, I will not say that there will be 100% volume base, there will be bit of benefit also of the, I would say the appreciation of the dollar that has happened with us. But, there is lot of volume based growth that is happening now. For us, definitely with the dollar being at 55, it is always beneficial to most of the exporters and we will definitely benefit from them. The point, the important point is here all our countries we import from India, all our customers are aware of the currency changes. So, automatically they expect those kinds of discounts and all that from us. So, you don't get a mega, mega impact, except you become competitive to other countries. So, to that extent you get benefit. But, in our case there will be volume growth also happening, maximum will be the volume growth, where you definitely will get a bit of a benefit.

Eshit Sheth: Okay, how do we hedge our basically sales of...?

Mukesh Dhruve: Yeah, we have a very simple hedging policy again approved by the board. The policy is very simple that whatever our export earning that we expect in the next couple of quarters, we take that, deduct from that our ECB repayments, ECB interests payment and then deduct the imports if any. So, whatever is the net realizable, about 80% is what we use as the simple forward cover. Repro has never ever done any fancy derivative products or any of the fancy products. All we are doing is the simple forward cover. Like for example, today if the dollar is in the range of say, 55 plus, we will get, forward that about Rs.58 or Rs.59, which is what we will do at the current rate.

Eshit Sheth: Okay. And what will be your current debt levels for Repro?

- Mukesh Dhruve:** The ECB loans are close to about 16 million dollars.
- Eshit Sheth:** 60 million, okay.
- Mukesh Dhruve:** 1-6. Sixteen. 16 million dollars, which will get repaid over the next four years and the working capital is almost in the range of about 50 crores.
- Eshit Sheth:** In the range of?
- Mukesh Dhruve:** The working capital would be about 50 crores.
- Eshit Sheth:** 50 crores, okay. And sir, for the tax rate, for this year basically tax rate will be close to zero percent only for Repro overall?
- Mukesh Dhruve:** Yeah, it will be MAT rate for us. The MAT is applicable to Repro, but we will not have a debit to P&L account.
- Eshit Sheth:** P&L, only to the cash flow, that's fine. But, from next year onwards it will be P&L entry.
- Mukesh Dhruve:** Yeah, it will be P&L entry, but no cash flow impact, because we will get the rebate of what we have paid in the last two years.
- Eshit Sheth:** Okay sir. And you see your margins in terms of your operating margins, actually if you see from Q3 last year, from 16½% high; we have almost gone to 12.4% this year. I am talking about the operating margins. So, do you see, you have said that this will definitely improve in Q3 and Q4. So, do you see this going back to 16% levels going forward?
- Mukesh Dhruve:** Definitely, definitely. We do see that.
- Eshit Sheth:** Okay sir, thank you so much.
- Moderator:** Ladies and gentlemen, if you have a question please press * and 1 on your telephone keypad and wait for your turn to ask the questions.
- The next question comes from Mr. Sachin Abhyankar from Transcend Investment Advisors.
- Sachin Abhyankar:** Yeah, good evening sir. Sachin here.
- Mukesh Dhruve:** Good evening Sachin. How are you?
- Sachin Abhyankar:** Absolutely fine. Sir, one macro question and two about the financials. So, first thing is that we have seen a huge difference between the Indian rupee and the yen and the difference is now 30%, if you look at probably last six months. So, how is it faring for us, like are we more competitive on export front and do we see capturing market shares from other countries because of this? Hello?
- Mukesh Dhruve:** Yeah Sachin, go on.

Sachin Abhyankar: Yeah, this is the first question. The second question is, in this current question if you see the 21% sale growth, if we keep a constant currency, then what would be the sales growth? And third thing is, completely baffled by cost of raw materials at 44%, which actually offsetted your other expenditure. So, where do you see this raw material actually stabilizing, at 51, 44 or 45-46?

Mukesh Dhruve: As far as the first question is concerned, yes, with dollar being what it is, definitely it makes us very, very competitive with the outside world. Today, if you are looking at China, I don't think China is competing with us, not only one because of the currency and again I think most of the people have the misnomer that India is competing only on price. Of course, price is one of the factors on which you get business. But, in our kind of business which is educational books, there are lot of softer elements involved you know Sachin, most important is the publishers with whom we are dealing, they give us their soft copies. So, all their books are lying with us in soft formats. So, for them the most important part is to trust a person with whom they can barter with their title, since the title will be resting with us and we will have the soft copies available with us. One of the key advantages of Repro and India as a country is that India has got strong anti-piracy laws compared to lot of other countries. And people trust us much more than they trust other countries on this basis, especially if you are comparing Indian with China, the trust factor is much higher in India. Third most important part is lot of service levels are included, lot of softer elements are included. Our teams who are dealing with these publishers all are 8 years plus, have got a kind of system into place. Today the publishers know that what is Repro capable, how we are handling the business, what is just in time delivery, what is the service time they require, the delivery time, all these factors play a very important part. Believe me or not, at times even if we are a little expensive compared to the rest of the world, the business will still come to India as a country. This I think is the most important factor in this business, because if you look at it, today there are lots of big publishers, but you don't see any huge corporate house in the business of servicing of printing. Few of them were there in the past, today they are not there. So, this is one of the important aspect in this business is the softer elements and the various services that you give to customers, due to which business comes to you. Cost is of course important, but not the important factor. The other two parts, as far as raw material is concerned, one of the benefits of raw material, percentage is coming down because of the sales going up by 4 crores. Our actual sales are in the range of 90 crores, but I had to hedge that 4 crores of forex difference to the top line and debit it down to the bottom line. So, as a result the percentage of raw material cost is looking down. However, we have got the benefit of more than 2 basis percent point even otherwise. So, going forward definitely if we export more, our raw material cost will look low, because the materials that we buy in the SEZ doesn't have duties, levies, VAT, no excise duty. So, the cost of raw material in the SEZ is definitely cheaper than what we buy in Navi Mumbai or what we buy in Chennai. Going forward if our export improves, definitely the cost of raw material will be in this range. But, average raw material is in the range of 45% to 48%. Sorry, I missed your third part, what was the third part? Can you repeat the question?

Sachin Abhyankar: The third question, sir one more most important question is, since your debtor days are really lying at 117 and sir, what would be your cash flow position in the first quarter like sir? And the second question is, definitely if you grow at this 30% rate, I believe by FY14 or maybe by next year half, we would be at full capacity utilization. So, are we looking for further expansion at Surat?

Mukesh Dhruve: We have done a bit of expansion already in Surat. So, our capacities have been built up in Surat. But yes, going forward we are looking at Surat for more expansion. But, it is a peak capacity, definitely then we will look at it. It is difficult to predict whether next year half will reach the peak capacity. As I said we will be disappointed if we don't at 25% plus, which is the growth we are expecting. As far as debtors are concerned, 111 days have become 117 days, we expect them to come down and it should be comfortably coming down. On 31st March our cash position was almost about 72 crores, quarter ending we are close to about 60 crores.

Sachin Abhyankar: Yeah, but how will we look at the cash flows after adjusting the working capital like?

Mukesh Dhruve: Our working capital cycle what it is, is almost close to about 125 days plus, where debtors is the major portion, the WIP and finished goods are hardly about 10 to 11 days and today we hardly get any credit from the paper suppliers because we buy upfront. So, to that extent the working capital cycle is (not clear) and the major portion there is the sundry debtors which our internal target is to bring it down to 90 days, but first target is to bring it close to 100 days, which we should be able to maintain in the next two quarters, we should be able to reach those levels.

Sachin Abhyankar: Sure, and just to last sum it up sir, 4½ crores of the profit which is there in other expenditure, since this won't occur in the quarters going ahead, we should see the margins stabilizing at 17 which we have told at least two-three times. But, just to reconfirm that we should see 17% margin and then we should easily see 25% sales growth in the current year?

Mukesh Dhruve: Absolutely.

Sachin Abhyankar: Okay, thanks a lot sir.

Moderator: The next question comes from Mr. Karthik Mehta from Sushil Finance.

Karthik Mehta: Hello sir.

Mukesh Dhruve: Yes Karthik, yeah.

Karthik Mehta: I have few more questions. One is that how many franchisees we would have added in this quarter? In the last analysts meet we were talking about franchisee model.

Mukesh Dhruve: We have not added any franchisee model as of now, that is our future plan. Yes, we are on the look for that. We are working on that. But, now nothing is added. You are referring to the analysts meet that we had after the annual results.

Karthik Mehta: Right, right.

Mukesh Dhruve: Going forward that's our plan. But, as of now nothing has been added on that.

Karthik Mehta: Right, okay. And I just did the back end calculation, even if we adjust it on the basis of 4 crores add back in the revenue, so from 94 crores if it goes to 90 crores, and with the same raw material including the stocking trade ratio comes to 46.3%. Still it is lesser than 50% or 54% we reported of late and a couple of years, so exactly where to settle down going ahead, if you can just guide us? 200 basis points you have mentioned, 200 bps advantage you have mentioned because of exports, so even if we give that it will be 48%, with this 46 plus 200 bps.

Mukesh Dhruve: Correct. So, that is something which we expect. It will be in that range only. It will not be above that. That is something what we expect going forward.

Karthik Mehta: Okay. If you can give me quarter's POD revenue?

Mukesh Dhruve: This quarter we did a POD of almost close to about 4½ crores.

Karthik Mehta: Okay. And any addition in the number of clients like we have, we have 250 plus publishers.

Mukesh Dhruve: In India we have just about eight new clients. In exports we have just close to about nine new clients.

Karthik Mehta: Okay. And in terms of titles which were about 10,000, any addition to that as well?

Mukesh Dhruve: No, except the new client's whatever titles comes in, the existing clients there has not been any great addition.

Karthik Mehta: Okay. And if you can just share the debtors over the six months in the current size?

Mukesh Dhruve: Okay, I don't have those numbers off the cuff right now, but I will mail it to you Karthik, definitely. I will ask our PR to put it on the website.

Karthik Mehta: Right. And sir, the last question is that if we add any country, say this quarter you have did six countries. Generally when the revenues starts coming into the extent what we desire...

Mukesh Dhruve: Normally normal in the following quarters, so this quarter we have added those countries, so businesses have come in. The execution will get over in the current quarter itself.

Karthik Mehta: Okay. And while we say we have added countries that means we have some virtual presence over there by way of marketing office?

Mukesh Dhruve: That's correct. No, we don't have a marketing office. Our people travel to those countries and we meet with publishers, create customers and get business from those countries. So, it's a new country from which we have generated business.

Karthik Mehta: Okay. So, when there is an assurance of the revenue coming in, then only we say that we have added that country?

Mukesh Dhruve: Absolutely. That is correct. We have confirmed orders from these countries. And the orders are under execution as of now.

Karthik Mehta: Okay. Okay sir, thanks a lot and wish you good luck.

Mukesh Dhruve: Thank you so much.

Moderator: The next question comes from Mr. Sanjay Shah from KSA Shares.

Sanjay Shah: Sir, once again congratulating you on the best set of numbers.

Mukesh Dhruve: Thank you.

Sanjay Shah: Sir, I would like to, since we have been penetrating in the African countries, do we see any opportunity in other countries where we can grow in the way we have grown in the African countries?

Mukesh Dhruve: Yes, we are seeing there are two areas where we can see something similar happening. One is the Southern American continent. In Southern America there are couples of countries. The key country could be Brazil, could be Argentina, these are the two countries. Brazil is a big, big opportunity, where we are seeing that as an opportunity. On the South Asian sides, we have started giving quotations in education in Singapore, Hong Kong, in these countries. So, they have got excellent print facilities. Our cost of paper is very, very good in India today compared to these countries. And especially when these countries try to bid for some of the tenders, they find that working with Repro is a big benefit. For example, I have worked with a publishing company in Singapore and they are bidding for tenders in some countries, so have bid with us. They got the tenders and we executed those jobs for Singapore.

Sanjay Shah: Great. So, that was through somebody we penetrated that country, right?

Mukesh Dhruve: Not through somebody, through a publisher. The publisher company called Marshall Cavendish; there are two big publishers there. There is a company called Marshall Cavendish, there is a second company called Scholastic. So, we are already doing business with Marshall Cavendish as well as Scholastic in Singapore. But, the numbers are not large enough right now to announce it in big size. We are doing a business of about million dollars there.

Sanjay Shah: Right. But, do we see the same scope what we are doing right now in Africa and other countries?

Mukesh Dhruve: Africa is one, again Sanjay the misnomer people have got is, they call Africa. So, Africa is not Africa, Africa is 52 countries. And we are dealing with close to 25 countries. It is like dealing with Sri Lanka or United States or UK or Italy. Now, France or UK, Italy and we say that people are happy about hearing that. When

we are saying Africa, we are not Africa; we are dealing with 25 different countries in Africa. And each country, believe me or not is very different from the other country. So, there are 25 countries with whom we are dealing. Unfortunately people in India have this misnomer of Africa. Africa is not one, it is lot of countries and we have got 25 different countries in which we have penetrated right now.

Sanjay Shah: So, there is huge scope still in Africa that you will like to do?

Mukesh Dhruve: Yes. Huge scope, huge scope.

Sanjay Shah: I got it sir. Thank you very much and good luck sir.

Moderator: Next question comes from Mr. Darshan Engineer from Alchemy Capital.

Darshan Engineer: Yeah, good evening sir. Congratulations for a good set of numbers. Sir, I just had few questions. One was on the constant currency growth, which one of the earlier participants had asked. And the second question was related to your future CAPEX plans. I missed that part.

Mukesh Dhruve: Okay. As far as the currency is concerned, I said if the currency remains at the current levels, definitely we will become competitive to the outside world. And it does give us a benefit, especially for the exporters. We expect our 60% of the business to come from exports, so it will be a benefit to Repro India in the long term, short as well as long term if this remains. We have no complaints if the dollar remains at what it is today.

Darshan Engineer: No sir, my question was that in the, of the 27% growth that we saw, how much was the constant currency?

Mukesh Dhruve: Okay, if you do that, it is almost amounting to roughly about, close to about 5%.

Darshan Engineer: But, that is year on year, right?

Mukesh Dhruve: Yes, correct. That's right. And if we, the second part of your question I will answer, will be the normal CAPEX in the Chennai and other facilities, which will be about just 15 crores and we are focusing on the digital business, where we will be investing another 15 crores. So, that will be the total CAPEX planned for the current year.

Darshan Engineer: So, this 15 crores, this entire amount on digital would also be invested in the same FY13?

Mukesh Dhruve: In FY13, yes, in FY13 itself.

Darshan Engineer: Okay. And sir, most of this funding will be done through internal accruals?

Mukesh Dhruve: Most of it through internal accruals, if required we will take ECB, if required, but maximum through internal generations only.

Darshan Engineer: Okay, thank you sir.

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

Mukesh Dhruve: All my dear friends, ladies and gentlemen, thank you so much for coming back to Repro for this quarter. I think I answered most of the questions and I think I have got a good team of analysts who are on the other side, who make sure that everything about Repro India is covered. I must thank all the analysts for asking such wonderful and analytical questions which I think covers. And lot of people who don't ask questions, get answers to lot of things, which otherwise I would not be able to tell everybody. Going forward as I mentioned, we see a good amount of growth in education. It is the key focus for Repro India Limited. I did not mention, but yes, Repro is also looking at the digital business and looking at the e-business and tablets and other areas. Too early to discuss, as we move on we will discuss this once our plans get finalized, but looks to be an exciting year for Repro. We don't see education going down. As we say food, clothing, housing and education is something which will never go out of fashion. We expect a good amount of growth going forward. Thank you once again and see you in the next quarter.

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