



“Repro India Limited
Conference Call”

May 28, 2013

MANAGEMENT: MR. MUKESH DHRUVE



Repro India Limited
May 28, 2013

Moderator: Ladies and gentlemen good day and welcome to the Repro India Limited Q4 FY'13 Earnings conference call. As a reminder for duration of the conference all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to handover the conference over to Mr. Mukesh Dhruve, Executive Director Repro India Limited. Thank you and over to you Sir.

Mukesh Dhruve: Good evening ladies and gentlemen and all our stakeholders. Good to have all of you back and welcome back to this concall of Repro India Limited. As you all aware today we announced the annual results of Repro India Limited, which was approved by the audit committee and the board in the morning today and that has what has been I think circulated and given to everybody.

I will just summarize very quickly about the results. There has been an overall 8% growth in revenue from 354 Crores to about 382 Crores, 16% growth in the operating profit from 61.73 Crores to 71.45 Crores, a 13% growth in PBT from 36.73 Crores to 41.57 Crores, and 7% growth in PAT, which is from 36.04 Crores to 38.44 Crores. Based on the results the Board members have proposed a dividend of 100% subject to the approval of the shareholders in the AGM. So overall the operating profit is at about 19% of the revenue, the profit before tax is at about 11% of the revenue and the profit after tax is about 10% of the revenue.

I explained the highlights to most of you but just to give you the basic breakup. The domestic business has grown from 133 Crores to about 145 Crores. Exports have grown from 208 to 220 Crores. The Print On Demand from 12 Crores to about 16.41 Crores, and within the three plants Surat has grown by about 12% from 151 Crores to 169 Crores. The New Mumbai plant has remained more or less at the same levels at 194 to 195 Crores.

The Chennai facility, which we have acquired now is merged and has almost grown by close to 100% from 8.53 Crores to 16.74 Crores. Some of the key highlights for the year is one has to look at it is the exports have already gone up very well and then we have secured some large orders from Nigeria in the current year. We participated and executed some new tenders from Ethiopia. We bagged some initial big tenders from Ghana, secured new businesses from Tanzania. This year we made inroads into new countries in Francophone areas where more businesses are now coming in.



Repro India Limited
May 28, 2013

As far as India is concerned we strengthened our business in South India so a considerable business has now started coming from the Southern part of India. We have started making inroads into Eastern India and several projects are now under execution that are happening. Strong order flow of course continues for the current year. As we have mentioned in last con call Repro has moved into its own Corporate Office at what people call Upper Worli, but basically it is Lower Parel, which is upcoming business district of Bombay and we are now fully operational with all our departments moved into the central place where the finance, the marketing, the entire board members as well as the operational team all are at one place.

We have recently last year formed a planning cell which is now the nerve center of the operations and from where all the three Plants are controlled. The Pilot project for commencement of sale of e-books has now happened. The DSF site is fully operational and all the order has started. A new machine which again your company Repro India has been one of the leading companies in installing the M1000 and Kodak Prosper, which have been commissioned at our Navi Mumbai Office in our digital print on demand areas. The Chennai facility, which we took over, has now fully integrated with Repro. Overall I would say it has been a good year and there has been a decent growth as compared to the external condition over there. We expect the same to continue this year. I look forward to your questions.

Moderator: Thank you very much sir. First question is from the line of Jigar Shah from Kim Eng India. Please go ahead.

Jigar Shah: Good evening Mukesh. The first question from me is that the revenue once again disappointed although your margin seems to be healthy but revenue disappointed. I think we thought that at least we will do between 400 to 430-420 Crores kind of revenue but it has been really low so can you give us some idea in terms of you know what were the reasons and how you expect this year?

Mukesh Dhruve: As you rightly said we were expecting those numbers and unfortunately in the last quarter as well as the previous quarter, which I shared with all of you the export orders went down compared to what we were expecting; however, I would like to say that we had some good contracts from Government of Ghana, Tanzania, Afghanistan; however, there were lot of delays in the approval and the finance tie-up. For example, in October itself I have signed some contracts with the Afghanistan government, which are financed by World Bank, but the World Bank finances have not come to that country, consequentially they could not offer the LCs and we could not execute those contracts. Similarly in West Africa, we signed

Repro India Limited
May 28, 2013

up some tenders with the Government of Nigeria; however some realignment and political changes, which have happened there, the head of that UBEC is no longer there in the place and they are waiting for the new head to come in. Normally we did this UBEC orders at least about twice a year and good times about four times a year, last year there was only one order of this UBEC thing, which happened. Now if the UBEC does not release the orders, because we deal with publishers and Repro deals with almost all the major publishers where UBEC is basically the short form of Universal Basic Education. That is the central body of the Nigerian Education Universal Basic Education. They released the orders to the publishers who in turn get executed from printers like Repro, like the UBEC orders which came last year which was one of those orders it was given to about 11 publishers and we executed 7 of them that is almost our orders worth about \$8 to \$10 million dollars now because of that those orders have not yet come out of that. However this Ghana, Tanzania those orders, which we have signed have got delayed because of mainly the finance part I would say. Similarly if I look at the India business let me note, as expected because we will try to protect our margins vis-à-vis competition. I mean we could have brought down the prices and taken the business but which we were not extremely keen; however, we have to relook at those strategies. Looking from the current point of view yes, those orders we have booked orders we have got those orders but we could not execute so this could not come in the topline; however, I can see that those orders flowing through now in Q1. So one of the key reasons yes they're been that instead we should be in 400 plus or 420 plus orders were there but we could not execute because of lack of finance tie-up with those parties.

Jigar Shah: Just a follow up on that, is that you mentioned on the one of the slides of your presentation that you got that this UBEC project then you have got the Ethiopia, Ghana, Tanzania some other countries. Can you give an idea in terms of what is the overall order book with you just now?

Mukesh Dhruve: Overall order book as far as export is concerned, we are in the range of almost close to about 50 Crores. As far as domestic is concerned it is almost in the range of about 40 Crores as I am talking to you so total order book would be in the position of about close to about 90 Crores.

Jigar Shah: This is executable when?

Mukesh Dhruve: We are expecting to execute maximum in Q1 but again and you know there are two things one is we need the finance. That is very critical as far as you know export business is concerned especially the African countries. Second important aspect is the approvals after

Repro India Limited
May 28, 2013

that. You know you get the finance side, you get everything, for example if order comes in today if signed up and I get the finance tie ups but you need to approve the books for me to do the printing. When the approvals come to on June 15 then it might be difficult to complete the whole contract in 15 days so some of that might be spilled over. As of now this is the order book how much will be executional it is difficult to say at this stage but as we progress in the next 10-15 days I think we get clarity on that.

Jigar Shah: Okay and this finance tie-up is, is that your end or it is...

Mukesh Dhruve: It is at their end because we wait for the letters of credit to come from the buyers. Now where they are reprints and our usual customers we go ahead but the government business is concern we are back to back depend on the government. Typically just to give you the whole cycle the World Bank will give the finance to the Ministry of Education, the Ministry of Education in turn will give contracts to the publishers the publishers will give the contract to Repro. Now the funds, which have been given to the Ministry of Education based on that they will order. It is on publishers back to back they will open the LCs on that. So sometimes this gets delayed and as a result you know executing the World Bank contract or Government Contract if you are not secured financially then it is not worth doing those contract. You cannot take that high risk in business that is the point.

Jigar Shah: Right fair enough. One last thing that I want to understand is about your margin. Fourth quarter margin and I think overall for FY'13 also margin seems quite alright so I think it is hovering between 19% and 20%. Can you give a specific outlook on the Paper prices and also now that Rupee is further depreciating versus the Dollar , how do you see immediately first quarter and then for the whole year and what are your internal targets or budgets in terms of the margin? Also if you can throw some light on the expenses that you would have incurred for this new businesses you know that you have taken on board in FY'13 have you got any specific expenses like that in Q4 and also lined up for FY'14?

Mukesh Dhruve: Yes I will answer all the questions that you have asked. One with the weakening of the Rupee definitely it will be more competitive and we will have a very, very good advantage over that so if the Rupee becomes weak and I mean may be between in the range of say 55-54-55 if it goes 56 definitely we are in a better position because we will become more competitive out there. So that is our big advantage that we will get as exporters. As far as paper price is concerned they have increased by about 4% to 5% in the first quarter itself so the paper prices have already gone up in India specifically all the paper sizes of all the mills the major one which we use have all gone up by about 4% to 5%. As far as we are concerned this paper prices will not impact us because globally it has gone up also and in

Repro India Limited
May 28, 2013

our case paper is a pass on. So I do not think there is a big worry to us. It has increased yes. If we have signed some contracts before increase we may have to take that hit, but otherwise in other case most of the contracts are pass on. So whatever raw material price increases we take it as a pass on. So paper prices yes, but they have gone by 5% up in the first quarter itself. As far as the current year's outlook as current quarter is concerned I think we are on a good wicket. We have got good order book positions on hand and wait for the quarter still going on. We are in second month of the quarter. The whole next month is left and I am sure things will get better from here on where we are today. Here we are in the process because of this government contracts and whatever has happened we have not yet formulated a firm thing, because what we realized last year also we were quite sure we had got orders on hand but we could not execute them because of typically the finance and other issues that there are linked with it so we are now trying to bifurcate and try to see what should be the realistic and it will be difficult to view all the outlook at this early stage. But the first quarter would be quite good as far as we are looking at it. New initiative yes, we have started that process basically we are investing more in the manpower and we have started the few pilot project, which is about four to five final project have started whole outside of India which includes Bombay, Delhi, Chandigarh, Mysore so we are going all across. It is basically an investment and right now the budgets are just the sundry budgets which are not very heavy investments but in the current year there will be an investment of anything you can say between two and three Crores which will definitely invest in that business to begin with but yet those budgets are yet to happen. That is now mainly the constituents of salaries of the people whom we have hired and the way they have started final projects, which is where we are investing. Going on a good note, we think this year once the pilots are implemented and successful this business will pickup definitely in times to come.

Jigar Shah: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of an individual investor, Vivek Jain. Please go ahead.

Vivek Jain: Good evening Sir. Couple of questions, first of all if I look at the debtor position I think your targeting to go below 100 and in FY'12 you were close to 100 and 107 so that position seems to have deteriorated in terms of the debtor days moving up back to something like 130 or 132 days. So what has been the primary reason given that you know you just mentioned that you would be funding it on a back to back basis using the LCs so what really has been the reason for this?



Repro India Limited
May 28, 2013

Mukesh Dhruve: As far as debtors are concerned our normal term as far as India business is concerned is about 120 days, most of the publishers as per their trajectory now what we have realized is the 120 days what we had offered by the time we get payments, which is almost 10 days 15 days plus it is never minus. So that is where one of the major concerns had happened. As far as the exports are concerned there are three parts to it there is one way we are getting in the developed market, which is UK, Europe where you know there is no LC, but it is open credit and you done the open credit to the developed market. There has been delays and we are getting money almost at about 140-150 range. As far as the African market is concerned our general terms are 120 days but when the time they are releasing the money it is almost 10 days 12 days more. As a result that what your observation is quite correct debtor days, which were, is about 100-110 days has gone to about a little higher by about 10 to 15 days more. The objective is just to bring those debtor numbers of days down. Ideally we want to be at 100 or below 100. That is what our target is, but unfortunately the publishing industry works on a 120 days credit. Big customers like Pearson and all in India are looking at 150 days or 180 days also some time. So most of the unorganized segment offers those number of credit days. We are trying to bring it down. Definitely in this quarter we can see some improvement compared to what we are. Ideally I think we will be able to bring it down quite better than what it is today.

Vivek Jain: Sir what was the percentage of the total revenues from the UK and the Europe I think you mentioned it a debtors of the credit?

Mukesh Dhruve: Roughly about 10% of the export.

Vivek Jain: So sir do we still believe that given that you are like the standard terms you know roughly about 120 days so how do you believe because this were discussed last time also specifically this person related to debtors last time?

Mukesh Dhruve: What we are trying to do we are trying to renegotiate with some of the customers, we are trying to I mean especially in India it was of course the customers with whom we are dealing for the long time we are trying to bring that down so we are renegotiating term of 90 days. At some places, we are successful and some we are not, but I am sure over this couple of months or either this quarter or next quarter, we should be able to show improvement in this definitely. I mean that is one of the key tasks how to bring that down. Unfortunately, most of the publishers get these credit days from other vendors. Because if you compare in a competitive world there will not be a choice sometimes you know so the only thing which we can do is improve our services and become indispensable to them

Repro India Limited
May 28, 2013

which is where we can try to bring that down. Some of the customers have agreed, some of them not yet agreed, but our efforts will continue.

Vivek Jain: Sir next question It was related to this you know in case you were trying to bring it down let say below the industry standards and do you see some business going away or the margins coming under pressure because that kind of cushion you will be building into your margins providing the higher debtor days?

Mukesh Dhruve: Yes. See I do not think business going away is a major concern because we have huge and also we have long relationship with most of these publishers. We are working with them almost in India as well as outside India now close to between 5 and 10 years so the relationships are very strong and all that but if somebody was offering an X tonne at the most you can get that 30 days better period then what others would get. So if somebody is offering 120 or 150 days we will get 30 days less those are the efforts, which we are making. Business will not go away. I do not see much of an intake on the margin. It is just that all margin has remained more or less at the same level we have in fact I mean if you look at the overall Print industry hardly any company which are in double digit. Supposedly we are the only company, which is running in the range of about 19% - 20% EBITDA levels. I mean it is at par with any manufacturing company or any pharma company today where you got EBITDA at about 19% levels and PAT at about 10% levels.

Vivek Jain: Sir the second question I had was you know just harping on I think you made some remarks in the initial discussion and also the question that was asked previously. On a sales front I remember you mentioning that you are basically targeting the higher margin businesses going forward rather than you know on using your capacities in low margin business just to fill up the capacities so I think first reason probably the sales going down might be attributed to that. Is there any reason or any indication that we are probably getting wherein we believe that the overall market side itself has gone down and you mentioned there are delays but are these delays temporary or you believe that the market itself has gone down?

Mukesh Dhruve: I do not believe the market has gone down here because education, which I had explained last time also has never gone down. I mean on the contrary we see a growth. For example, if we take an example, which I had explained last time also India is a country and Africa is a continent, are growing at a very, very rapid pace. The population is quite equal. Here we have got 1.2 billion people, there they have got 1.1 billion people. The number of students are almost 150 million in one country and one territory. In Africa the numbers of books are shared by a couple of students. South Africa 1:4, East Africa 1:13, West Africa 1:17 – 1:20, so instead they need more books. Point is yes they do not have too much of funds so they

Repro India Limited
May 28, 2013

are depended on World Bank, UNICEF, Canadian authorities, European Funds, UK Funds so that is one of the key things. I do not see business going down because of lack of demand. I mean we were choosy in India and we did not want to just take business and fill up our capacities, which are low margin businesses so we went choosy, but may be we will relook at our strategies for the current year, whether we can bring down our costs or whether we can make ourselves more efficient and take out more competitive businesses which we are relooking at those areas, but demand has not gone down. I mean demand will continue to go.

Vivek Jain: Sir the reason I asked is not particularly on the overall market may be I did not frame the question properly, it is with respect to the margin, the orders with high margin that we are probably looking. So if that particular market segment gone down as compared?

Mukesh Dhruve: Not really.

Vivek Jain: Sir could you give me the total debt position as of FY' 13?

Mukesh Dhruve: The debt position will be its about 138 Crores.

Vivek Jain: Sir last year if I am correct it close to 170 is that correct?

Mukesh Dhruve: That is correct roughly that level yes.

Vivek Jain: Sir then why have the finance cost not moved down probably?

Mukesh Dhruve: Last year it was 101 Crores.

Vivek Jain: That is including short term, long term and the current maturities?

Mukesh Dhruve: The long-term debt if you look at is about 45 Crores as compared to 71 Crores last year and the short-term borrowing are in the range of almost about 90 Crores as compared to 109 Crores.

Vivek Jain: Sir my question is you know I believe the debt levels have gone down probably the cash has also moved down?

Mukesh Dhruve: The point is yes the interest cost has gone up primarily because of our debtor number of days going high. So you use more of working capital over the whole year as compared to, I mean if you are looking at the closing balance that will not give a correct syndication how

much is the working capital we use over the whole year. So the interest is directly linked to that.

Vivek Jain: So you are saying the average utilization of the cash limit was higher?

Mukesh Dhruve: More or higher than compared to previous year definitely because the number of debtor days the moment it goes down this cost will also automatically go down.

Vivek Jain: Sir for FY'14 generally if I look at the depreciation expenses is close to 14-15 Crores annually so the maintenance capex would be you know I think you are mentioning it close to 10 Crores. Would that be correct?

Mukesh Dhruve: That is correct yes that was the maximum.

Vivek Jain: Sir what are the capex plans for FY'14?

Mukesh Dhruve: Nothing major this year. Right now we have already built enough capacities, the execution what you mentioned will not be more than 10 to 15 Crores maximum.

Vivek Jain: Sir if I remember correctly again the capacities will be sufficient to take this to revenue up to 600 Crores?

Mukesh Dhruve: That is correct absolutely.

Vivek Jain: Sir just one last question on both these plants when does the tax breaks we have expire?

Mukesh Dhruve: In Surat from the current year we have to take pay 50% of the tax because the SEZ benefits are now at 50% for the five years starting from this year, FY'13-14 onwards and in New Mumbai there was no tax benefit as such, because it is fully taxable.

Vivek Jain: Sir, if I may ask what is the distribution of PBT these two plants Surat and Mumbai?

Mukesh Dhruve: What is the distribution?

Vivek Jain: The profit before tax generally?

Mukesh Dhruve: We do not work it like this. It is one company together. These are all combined together. We do not want separate profits.

- Vivek Jain:** No sir I was just looking at the effective tax rate that you have for FY'13?
- Mukesh Dhruve:** You can safely consider it at the rate of about 19% to 20%.
- Vivek Jain:** Thank you so much for the time sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Vivek Jain. Please go ahead.
- Vivek Jain:** Sir just a follow up question. Sir what are the total repayments that we have scheduled for FY'14-15?
- Mukesh Dhruve:** The ECB repayments, which we need to do, will be in range of about \$6 million this year.
- Vivek Jain:** What is the average cost of debt?
- Mukesh Dhruve:** Average cost of debt because of the ECBs will be in the range of 4% to 4.5%.
- Vivek Jain:** Sir you mentioned that current order book stands up for the 90 Crores right?
- Mukesh Dhruve:** Yes order book.
- Vivek Jain:** So what was the same last year?
- Mukesh Dhruve:** I do not remember it off hand, honestly. Maybe I will send you a mail. I will reply to you later on. I do not remember what it was last year. May be it was a little less than the current year. If I recollect, I am not too sure. I will forward to you.
- Vivek Jain:** No problem Sir. I will get back to you on that. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from Kim Eng India. Please go ahead.
- Jigar Shah:** Just a question on your earnings growth. Last year we have seen just about 7% kind of growth. This year with the tax rate also increasing, can we go back to the 25%-30% kind of earning growth because I think that is something which the Company of our size at least we expect it grow that way so what are your thoughts on that?
- Mukesh Dhruve:** We do not make those but I am not so sure about that at this stage but with this yes with the tax even current year Jigar we have provided tax as per the MAT. So I do not think that has



Repro India Limited
May 28, 2013

a major concern. I mean tax will not be a major concern or deterrent because we have to look at the EBITDA and the PBT levels so EBITDA and PBT levels we expect the same levels of growth happening. I do not think that is a worry.

Jigar Shah: I think for all that as I understand they may not be a very major scope for margin to expand but it will require revenue to go up?

Mukesh Dhruve: Absolutely because we are looking at revenues to grow but this is too early to give a forward-looking statement at this stage. I am not too sure right now because of various reasons, because for last year it will be difficult to give a forward looking statement at this stage but yes we are expect growth to happen and may be let this first quarter get over may be we will be able to answer practically.

Moderator: Thank you. Sir, there are no questions at this time.

Mukesh Dhruve: Thank you ladies and gentlemen and all our shareholders for coming on this concall. Some of the questions, which I have answered lot of people must be feeling that it has been a tough year, it has been a tough year and we grew at 10% we are not estimating and we are not even disappointed all I can say is we can see education segment growing very well. Overall the business prospect is very good for the current year and at least for the current quarter I can say with confidence that business has started growing and happening , some of the export contracts about which I mentioned has started happening and an execution has started on those contracts. We see a good prospect for Repro India Limited in the years to come. I thank you so much for coming and attending this call. Have a nice evening.

Moderator: Thank you. On behalf of Repro India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.