



“Repro India Limited
Conference Call”

November 08, 2013

MANAGEMENT: **MR. MUKESH DHRUVE**

Moderator: Ladies and gentlemen, good day and welcome to Repro India Limited Q2 FY'14 earnings conference call. As a reminder all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Dhruve, Executive Director of Repro India Limited. Thank you and over to you Sir!

Mukesh Dhruve: Good evening ladies and gentlemen and all my friends. Welcome back to this concall of Repro India Limited and thank you for attending this call and we appreciate your participation in this concall.

We have just announced the results today in the morning and I am sure most of you have seen the results, but just to recap, this has been a good quarter for Repro India Limited and if you take the quarter over the previous quarter there has been a 25% growth in the revenue which has grown from 89 Crores to 111 Crores, 12% growth in the operating profit from 17 Crores to almost 19.5 Crores, 23% growth in profit before tax from 9.67 Crores to 11.87 Crores and 6% growth impact, which is from 9.04 Crores to 9.55 Crores.

The good part is that in domestic business as well as export business both have shown a growth. Domestic of course has remained stable in terms of billing, but in terms of booking order book has been very, very good. So domestic is almost against the 40 Crores of last quarter it is about 36.5 Crores; however, export has shown almost 50% growth from 48.5 Crores it has gone to above 75 Crores and both Surat as well as Navi Mumbai plants have really done well.

Export to domestic ratio is about 67:33 which is what we were expecting for this quarter. If we take the quarter-over-quarter that is Q2 of current year number over Q2 over the last year, there has been a 10% growth in the revenues from 101 Crores to 111 Crores. 9% growth in the operating profit from 17.84 Crores to 19.41 Crores and 9% growth in PBT from 10.84 Crores to 11.87 Crores and PAT of course has driven by 5% from 9 Crores to about 9.55 Crores.

So overall it has been, I would say a good quarter for Repro India. The export if you recollect was a bit down in the last quarter of the previous year as well as the third quarter, which is now picked up and the exports have started growing as per what we have expected. Repro has executed some very good contracts in Nigeria. We have done some new contracts

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with the Ugandan government and our focus on Africa continues. Currently, we are covering almost close to 22 countries and we plan to increase our best in this country.

Tender business is something should be coming up quite big and we are forming a separate team attracting these tender businesses. Domestic business as I mentioned earlier the strategy to focus on the top publishers is yielding really good results and whatever business we have done in the last year which is about 140 Crores we already have a order book in domestic market of about 130 Crores, which is a very, very good for six months for the domestic business.

Pan India strategy is now fully implemented and Repro is doing business not only in west and north, where we are strong, but we have got a penetration strategy into the southern market as well as we have entered in the eastern market now.

On the digital learning the print of demand business is again growing up very, very fast especially we are getting contracts with new companies in the education segment. In the digital learning phase the RAPPLES business what we have discussed last time we have set the pilots, which have now gone live and there are five more pilots happening in the other five schools.

The Repro Cloud Store is already now operational. Our Mahape is now getting FSC certified. The entire process of producing book will be as per the FSC certification which is completely environment friendly status and overall we find this is an interesting quarter and going forward we see a good growth what is happening in the business.

I look forward to your questions.

Moderator:

Thank you very much Sir. We will now begin the question and answer session. We have the first question from Rahul Bhansali an Individual Investor. Please go ahead.

Rahul Bhansali:

I have around four to five questions regarding the digital business. So do you want me to ask them one by one? Firstly is what kind of revenues and profits does the company see from the segment? What do you think will be the revenues and profits in the next let us say four to five years? Some of the value-added services that Repro provides right now such as warehousing and logistics now these would not be required in the digital business, so I wanted to know what would separate Repro from other competitors in the digital business and do you think that the competition would be quite intense in the segment and the entire sector as such would be very price sensitive? I had gone on your Repro website and there is something known as a Repro Cloud Store where we could buy books and that looked very

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similar to what Flipkart does, but only in the book segment, so I wanted to know why the company thought that it would require to set up such a platform? Are we going to compete against players like Flipkart? I did not get to why the company setup this website? Lastly Sir what would be the capital expenditure required in this segment and what do you see the biggest risk factors in the digital book segment?

Mukesh Dhruve:

The first part was that what are the revenues that we see and what is the current year and what is the next four years, five years outlook? Very briefly I will explain to you. We have started separate division called RAPLES, which is Repro Applied Learning Solutions. One of the biggest advantages that Repro has is that we have close to about 200 publishers who are our customers in India and about 200 publishers who are customers outside India. All this content is in line with Repro. So what we have to do we are going to schools and we have tried to give them the learning solutions by which they do not need physical books in the school. Most of the people who are in this business, the competition that you are talking about are specific publishers or people who have their own content and they want to only put their own content on the digital platform and give it to for the learning. Repro does not own any content. The content all belongs to the publishers. So for example if you go to a school, the school will have a mathematics book from Mcgrawhill, English subject from Oxford, a third subject from Pearson, fourth subject from Macmillan, any child studies different subjects from different publishers and no school selects one publisher for all the subjects, so what we are trying to do is without changing any pattern in the school we are using the same content that they are using, we are having a tie-up with the publishers who are supplying books to these schools and we are converting those books into e-books and those e-books we are adding a value to e-books. It is not just a vanilla transfer or just converting the physical books into e-books. Besides converting into e-book we put a lot of applications into the e-books. Say for example if it is a Biology book, then if there is a heart in the book we will put a heart, which is a 3D image, so that child can actually see how the heart functions. If it a Physics book then we will actually shoot a video footage of the laboratory and put the actual laboratory picture or videos into the book. So that is one part. Second part, yes we have just started into the pilot projects. The first objective is to go to schools and sell this learning solution. We have started with five schools which are going live right now. We may not make I will say rockets in the first couple of years, because we need to create this awareness, we need to go to the schools and acquire students. So for the first couple of years the whole process will be to acquire the students and we will have to do an investment in these areas and once this picks up of course we will require capital for branding, for marketing, for setting on the smart classrooms in different schools, but the capex of the capital will not be in Repro's books. So first couple of years, I do not see that this business will make huge amount of money, but we will start making inroads and acquire schools that is the first part. Your second part was how are we different are we like

a Flipkart or something? No we are not a Flipkart, but because we are converting books of publisher into digital medium we are giving a platform to the publishers where their book can be sold. We are not out to market, but we are giving one stop solutions to publisher since we have converted the books we have Cloud Store where people can come on the cloud store and buy the book. The difference between us and Flipkart, Flipkart sells all products we are selling only education books, nothing other than education books. The publishers whom we are working are the only books that we will put on this Cloud Store. The advantage being that publisher will have a platform where the book can sell easily and definitely those content and everything will belong to the publishers. The other part was from the value-added services while we are moving into this digital medium, the physical medium is still very, very huge in both, in two markets that we are providing, one which is India and India as a country and Africa as a continent. In both these markets books are in large numbers world over, the change has not yet happened. Only we are trying to do is, we are trying to get ready if and even the revision terms and it picks up will be ready with the digital platform where we can supply those books very, very easily. So the point being that the value-added services is like what you mentioned about fulfilment, warehouse being contemporary these are the two services, but there are generally about 8 to 10 services that we provide. Since you are a visitor to our website you will see all the services that we offer, those services will continue. We feel for the next 8 to 10 years at least books will remain and the way we are seeing the business, book business is growing up. It is not coming down. So, on the contrary we are seeing the physical books are also growing, but as and when we move towards the digital segment will be ready for that also.

Rahul Bhansali: Thank you.

Moderator: Thank you. The next question is from Rishi K from India Capital Fund. Please go ahead.

Rishi K: Good evening Sir. Congratulations on a very good set of numbers first of all. I just wanted to understand from a business perspective that suppose somebody makes text book so he invested around Rs.30 or Rs.40 in publishing and the paper cost, so what kind of cost of production is there in making the digital book or a digital kind of platform for you and what kind of pre-selling is there?

Mukesh Dhruve: As far as the cost is involved, the conversion from physical book, for which we always have PDF file. We have PDF files of the most of the publishers with us and from the PDF file today we are doing a physical form of printing, so to convert a PDF file into e-book is not a rocket science and not a very expensive thing, but if we have to put in applications in the book, this becomes expensive and you have that cost will depend on both the publishers and applications involved in the book. If the publisher says that he wants a lot of value-ads and

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lot of applications and he wants a lot of inputs to go into it then the cost will go up proportionately. It is difficult to view a cost just as printing, what you said in printing if a book is costing or if you are buying a book for Rs.100, very broadly about one-third would be the cost of production. In this it depends on what the publishers want in the book or what they want in e-books the amount of applications, the amount of value ads that they want the cost will increase based on that, but it is just a simple vanilla transition from physical book to e-book, hardly any cost will be involved.

Rishi K: Sir, but what is the cost competitive advantage in terms of a print basically in a shorter term if you can say? I am saying what is the cost competitive advantage if somebody wants to replace the traditional books right now, what is the cost competitive advantage Repro has and industry had basically right now because a lot of new platforms are coming and people are still not opting it in a big way?

Mukesh Dhruve: The biggest cost advantage people would have today was or would be is we are not going to schools, most of the people are coming in this business take for example any publisher, take up Pearson, take Navneet, they have wonderful templates that they are introducing, but their content only their own content. That does not have anybody as content in the template. For example, Pearson whatever they have come up with which are only the Pearson template, or take the example of Educomp which was more of supplementary education and even it is not primary Repro is focusing mainly on the primary education and we are not doing a changing the pattern of study except that include it is physical books the children will have digital books and wherever whatever the school wants, whatever the publishers wants we need to add value and give them better and better content. So the cost advantage if you are looking from the publishers point of view definitely once the goods are created and they are distributed they will get good amount of royalty over a period of time. See immediately if you are asking today's compared to a physical book what is the big advantage, one of the big advantage immediately but over a period of time, I am sure they will get good advantages because once the e-book is created they do not need to anything it just needs to be distributed and on that just keep on getting royalty. So over a period of time they earn better earnings than what they are earning in the physical books.

Rishi K: I am questioning to answer what is the cost competitive advantage of your company, because even Navneet can setup the facility like you also in the coming years in the next two or three years also?

Mukesh Dhruve: All my point is that most of the publishers would do not like to part with the content with everybody especially for the competition. A publisher is a publisher for another publisher whereas Repro is not into content business. We are not a publisher and we are only service

provider and the advantage there, we have is we service and the content is lying with us and for most of this big publishers we already have physical book. So for us it is becoming much, much easier to convert the book and we are doing the schools and not changing any pattern what they are doing today. So definitely the publishers have a big advantage because they are dealing with the same party with whom they are dealing physical book and getting it converted. Surprisingly today we are already working with 10 schools all over India. It is just a beginning and just like I said in the first part, it is just beginning. Over the next one year or one and half to two years this will keep on catching up. Like for example in a school, we started with just one class, but the moment the class become actually live ,it was the tier pressure, and the other classes started developing that and over a period of time we will see the whole school developing it.

Rishi K: Is it possible to learn the names of the new clients you have got in the last quarter or in the H1 basically?

Mukesh Dhruve: We have got about 10 schools, and we have just begun on these five years we started live in five of pilot projects. These are schools in Bombay, these are schools in Chandigarh, these are schools in Mysore, it is almost all India individual schools have started this and to give you a perspective there are 110,000 schools in India and if you take 110,000 schools in an average of about 1000 to 1500 students, huge number of students we are talking about and this is board as well as the government schools. I am not talking about Government Schools, I am talking about the private schools which are being ICSE, CBSE and those curriculums. 110,000 schools all over India

Rishi K: Lastly can you please share me E-mail if we have got any other further queries we can send you a mail?

Mukesh Dhruve: It is mukesh@reproindia.com.

Moderator: Thank you. The next question is from Bhavesh Jain from Sushil Finance. Please go ahead.

Bhavesh Jain: Good evening Sir. Good sets of numbers. Sir my first question is have I heard correctly the capex for digital learning, which we are installed in India schools is not in our books?

Mukesh Dhruve: That is correct. The capex part is not in our books.

Bhavesh Jain: What will be the capex for the next two years on digital as well as to increase the capacity for physical books also?

Mukesh Dhruve: For physical books right now let me answer separately. For physical book right now up to 650 Crores of turnover we do not need any new capex except the capex that we keep on doing, which will be in the range of 10 to 15 Crores every year, which we are financing from our internal generation. So up to 650 Crores of turnovers we do not need any new capex for infusing capacities. Mostly these are the numbers then we will have to think of how to go about increasing the capacities. As far as the digital business is concerned, right now our investment is mainly in the content part, creating the valuation already which we are doing on the book that is where we have a major cost right now. Our second cost, which is the higher cost, which is the manpower that you are employed. This is something which we are being doing over the last more than two years where we are investing in the manpower. We were started now going out in the market. Third and major investment will be branding and marketing activities of this. As the schools keep on increasing we have to keep on giving them the servers, classrooms and other things which will be on our books, hence we will have to keep on employing because being a new technology the schools are little scared, so you have to keep making sure that we are doing two to three schools in the cities that there are people available from our office who are available to them almost 24/7. So these are the major costs, but difficult to quantify that what we will be the total amount capex that we will require. We are working on that and once we are ready with the plan we will share it to all of you.

Bhavesh Jain: Sir do you have any target how many schools we want to target in the next one year or two years?

Mukesh Dhruve: In the next one year we are targeting minimum 50 schools to happen.

Bhavesh Jain: Sir on the working capital side our receivables days have increased?

Mukesh Dhruve: If you compare to the previous quarter it has reduced. On the March 31, 2013 it was close to about 145 days and in between it has gone almost about 160 days and now it has come down again to about 140 days. So the general credit terms in this business is 120 days. All the publishers' demand 120 days as a minimum credit term and by the time we realize it comes to about 130 to 140 days. Yes our target is to bring this down from 140 to 120 at least in the short term. We do not see that is the major issue or concern. I am sure we will be able to recover and reduce the number of days, in the times to come and on and around March 31, 2014 we should be in the between 100 and 120 days.

Bhavesh Jain: Sir you have mentioned that you are going to focus on the government business in the domestic market. Do you have any number what is the size of that particular market currently in India?

Mukesh Dhruve: For example we just did some business West Bengal Government where the government for example we spent close to about 50 to 70 Crores on the book that they supply to their children there. Of that they have their own government trade, but they cannot complete the printing and everything within the timeframe that is required. So they always outsource it. That is the first time that we are doing the contracts for the West Bengal government and current year right now as we are talking we have got an order of around 15 Crores with that government.

Bhavesh Jain: Thanks a lot Sir.

Moderator: Thank you. The next question is from Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: I had two sets of questions. We have actually seen the percentage of export or the contributions from export are actually now at fairly healthy levels, and that was the direction we were looking for last quarter. Now what I am not able to understand is that given that there has been such a sharp depreciation of the rupee particularly compared to last year, why we are not seeing the benefit of this improvement in our exports into the margin and partly also into the topline. Our topline growth basically should have reflected that improvement as well and so should the margins, so why that is not happening?

Mukesh Dhruve: Two things which you need to look at. One was yes overall the exports was down and which is now coming back to normalcy and as you are seeing it has really grown by 50% compared to the previous quarter. As far as the advantage of the rupee depreciation etc., the systems are very, very smart. Outside India also the customers have become more smarter than what we think. If the rupee has depreciated they keep track of that and they expect competitive pricing compared to the depreciation in rupee that happens at home here. The rupee was Rs.50 to dollar. The pricing was actually if rupee becomes Rs.62, the pricing becomes high. You cannot get that 100% benefit of the depreciation in our country, having said that when we are at a particular rate, you loose those forward covers, keeping in mind that whatever contracts we are signing we should be able to recover that much money. We have a full-fledged hedging policy, which has been approved by the board, which is the simple policy that today if I sign a contract what is my total quarter's business that I am expecting I deduct from that my ECB payments, my imports and interest payment in foreign currency and net realizable receivables of that 80% is something we do a simple forward cover for any country products. For example if the dollar is at 52, I have done some deals, so I do a forward cover at Rs.62 to protect my revenue. Having done that these receivables will happen after three months or four months beyond the cycle, now it is impossible to predict today in November that in February or March 2014 dollar will be 62,

dollar will be 67 or dollar will be 55. If dollar becomes 65 then I will have to show notional loss, so if that was 55 I will show that is notional gain. The point I am trying to make you that the depreciation of rupee does not really help in big way in changing the revenue so much that we have to protect our revenue, so whatever revenues we have shown here are based on or the realization are based on the forwards we would have done about a quarter back. So that is the long term if the rupee remains on what it is definitely will get those benefits.

Sangeeta Purushottam: A follow on question, Mukesh was that are we likely to see a pickup in our pace of growth are if this 10% to 15% growth that we are likely to maintain as far as the topline is concerned?

Mukesh Dhruve: We do not make any forward looking statement, but effectively we are doing at about 10% to 15% year-over-year and we should be able to maintain that. Of course the target is to improve on those numbers, but difficult to predict and unfortunately, we do not give any forward looking statements. This business being what it is, it is difficult to predict if it is absolutely a normal business, I do not give forward looking statements, but be on those part and we should continue what we are doing.

Sangeeta Purushottam: Thank you very much.

Moderator: Thank you. The next question is from Rajiv Bharti from Destimony Securities. Please go ahead.

Rajiv Bharti: Sir you mentioned about the domestic order book of about 130 odd Crores, what is the total order book outstanding?

Mukesh Dhruve: As we are talking right now it should be 130 is the total order book of the domestic business which has happened in the first half, also just to give you a background the total Indian business, which we have done in the first half is close to about 77 Crores, so out of that 130, 77 has already been executed and moving forward we should be getting orders in the domestic market also which is on the lower part, so those also will get executed. The point being that whatever business we did on the whole of last year, we already have that much order book on the domestic market in the current year itself in the first six months, which is a very good sign and we can see growth happening if we progress further. On the second part which is what is the order book on hand as of now will be close to about as I am talking to you is will be close to about 75 to 80 Crores.

- Rajiv Bharti:** Also can you give your revenue contribution your facility wise, Surat, Navi Mumbai, Chennai and print on demand which you used to give and if you give it for the last two quarters, in the June and September quarter both?
- Mukesh Dhruve:** In June quarter, the domestic, I will give both the breakup, the domestic was 40.55 Crores in the current quarter it is 36.35 Crores. The export in the last quarter was 48.53 Crores, it is 74.94 and the Surat plant last quarter in Q1 was 42.89 Crores, in Q2 it is 58.01 Crores and the Navi Mumbai unit was 43.16 Crores which is 51.06 Crores. The ratio was 54 to 46 export to domestic, which in the current quarter is 67 to 33.
- Rajiv Bharti:** Sir how about the Chennai and print on demand?
- Mukesh Dhruve:** Print on demand is the part of the Navi Mumbai business only. Chennai more or less carries about 3 Crores quarter-over-quarter.
- Rajiv Bharti:** Going back to your digital book segment, I have a small question on you, when you compare it against Flipkart and you were mentioning about how it is different from Educomp and you mentioned that the capex is on the book of the publisher, the marketing side of it with the school is it with you?
- Mukesh Dhruve:** The capex especially the major part of the capex which will be on the school, not on us, the students rather than school.
- Rajiv Bharti:** Marketing will be borne by you?
- Mukesh Dhruve:** Marketing running will all be done by us that is correct.
- Rajiv Bharti:** You guys have decided for whatever schools you have converted till now and how will be the revenue recognition happening in this case?
- Mukesh Dhruve:** The revenue recognition to the publishers with whom we have signed up, we will have to give them the royalty for the books distributed to the students in those schools and as far as we are concerned, we have to recover our cost of conversions, our cost of realization and everything and the way we are going about it that we are proposing to the schools where the school will charge a fixed monthly fee where the student will keep on paying and the fee include the cost to be paid to us from which we will share the royalty with the publisher, the cost to be taken to stabilize, so what we are trying to do is get it stabilized for the students which will be financed directly by banks, so banks are financing because it comes under education as a priority segment and the banks suppose they are disclosing 10000 or 15000

and the banks will do the finance to the schools or to the students and the schools will recover as a monthly fee and pay back to the bank directly. So we will get the chunk of thing as our fees for which we have to pay royalty to the publishers.

Rajiv Bharti: So, the effect could be visible in the first quarter or the second?

Mukesh Dhruve: In the current year we do not see any huge revenues happening. As I said we have just started five schools and once it stabilizes you will see that. Absolutely this will be directly proportionate to the number of students that you acquired and that the schools that you get. Once you have say about 100 or 200 schools this will start changing completely. In the initial stages we will have to bring investments. See now what we are doing is even the investments that we are doing we are debiting to profit and loss account. I am not capitalizing those expenses right now, so all the expenses that we are incurring on the digital front is something which we are capitalizing to P&L account only directly right now.

Moderator: Thank you. The next question is from Ravi Mehta from Deep Finance. Please go ahead.

Ravi Mehta: Just to take that forward as you said that you are already expensing the stuff in the P&L account regarding the digital platform what is the kind of expense you are incurring at the moment which is already absorbed in P&L?

Mukesh Dhruve: Over the last two years since we have started this as I mentioned because of manpower, branding, and marketing this is of course the software expenses, IT expenses that we have incurred over the last two years we would have debited close to about between 7 to 8 Crores to the P&L account.

Ravi Mehta: How much we should expect going ahead every year?

Mukesh Dhruve: I mean if we keep that what we are at, at least minimum about 5 to 7 Crores we get debited every year.

Ravi Mehta: The initiative that we have taken what kind of preparedness we have in terms of the content and what standards and how have we done?

Mukesh Dhruve: Right now we have started for classes 6, 7 and 8 in most of the schools and they are very well received. This 5 out of 10 schools which we have started 5 on pilot business sector, 5 have all gone live. They are very well accepted and going forward we can see I would not say that they are 100% there are those usual teething problems that we face in any just kind of new technological changes that you bring in, but they are doing quite well and all these

five schools are very, very happy. We started with three classes. Now the same schools are saying they are going to increase the number of classes, so they are looking for the higher classes sections is going down to the lower classes, so it has been very well received and the project is picking up quite well. I would say in the schools that we have started in the five of schools. We will of course have to do a lot of branding and marketing after which this will really pickup well.

Ravi Mehta: Sir as you have to scale up say to the higher standards and lower standards because you are catering the three standards right now, how much time and money you need to spend to be ready with the stuff in your hands?

Mukesh Dhruve: We have not yet done all this. We have just started this as an activity, but we are working on these areas and I think it should be ready by early next year. I think we will be able to share all these details with you. Since it is a pilot stage and all that we also on the course of learning, we are getting into it, but once we are getting into projection we will definitely share with all of you. We cannot really tell at this stage those kinds of numbers, but we are doing a lot of homework on that front. We are getting ready with the projections and we will be able to share with you after sometimes.

Ravi Mehta: One thing is how are you pricing this product as an individual product to the students?

Mukesh Dhruve: What we are trying to do is we are taking the cost of the tablet, which directly they have to pay to the bank, we are taking the cost of the conversion, we are taking the cost of the royalty and whatever process that we need to incur, so it is a combination of all of this which we are charging as a combined fee to the school. It is the base for all these together.

Ravi Mehta: You charge upfront or as you said it will be?

Mukesh Dhruve: We do not charge upfront. We will recovery on monthly basis.

Ravi Mehta: So the tablet and all what you invest that would not be in your books it will be getting transferred?

Mukesh Dhruve: It would not be in our books because we are not buying the tablet, we are facilitating the buying of the tablet. We have tied up. We have tied up with a Chinese vendor who is giving very, very good tablet. I will not say exactly of the hi-fi quality, but similar to the hi-fi that we have seen for students so the point being that we have that facility where we can give the tablet if the school owns it and the tablet cost ranges from \$100 to up to \$200 or \$250, based on what size they want, the tablet starts from 8 inch to 10 inch what memories they

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want, what features they want in the tablet. Having said that if the schools want to buy their own tablets or if the school is reasonable and there is you want to use Hi-tech you can use the Hi-tech, if they want a Samsung they can use a Samsung. Our solutions are based on the particular tablet. Our solution can be used only in tablets that they want. We are just helping them on getting if they want a cheaper version of the tablet we can help them in that. We are not in a business of hardware.

Ravi Mehta: One thing is that once you load your content in tablet what kind of measures you have taken to protect the content meaning from getting leaked to other devices or something?

Mukesh Dhruve: A lot of antipiracy measures which have already been put in. Two to three things, which I can tell you, right now one that is the limited time period thing. If it is there it will be less, the content will be there only for that one particular year at the end of one year the entire subject will disappear from the tablet. Two they cannot transfer the data to any other, if they are trying to transfer that will get erased from the laptop or from the tablet. Third and most important is, they cannot change those data what has been given them, so in antipiracy measures have been put in that.

Ravi Mehta: One more question was on the forex front. You mentioned about the hedging policy you have and there was a note in the press release that you have moved to AS-30, just wanted to understand what was the kind of MTM hit anything in this quarter or everything will go to the reserve in the balance sheet?

Mukesh Dhruve: Everything will go to this thing, except that there are two parts AS-30 is basically covering whatever forwards we have got and if you have to take entire forwards at today's rate then what is the loss, which is what they have quantified in AS-30 there, and which goes to the reserve account. Having said that in case of every month we have to record sales and the dollar at the closing rate on the last days of month, which for example right now it is Rs.61 or Rs.62, so if the dollar rate is 62 my revenues will be recorded at Rs.62, other than that we have done forward prior to that and my forward is say at Rs.61 or Rs.60 then the Rs.2 loss in which I will have to debit to P&L account from that front right now we have got debit of about 2.8 Crores.

Ravi Mehta: 2.8 Crores is in P&L account and as far as the borrowings are concerned foreign exchange borrowings then as and when we make a payment it will come in the quarterly number and we are not making it is just a notation it will be in the reverse, so you have mentioned an amount of some 15 Crores?

- Mukesh Dhruve:** That is what the auditor's have put a note if you look at that, that note continues that is mark-to-market which we have to do it but we are not doing it because we have assured business, see whatever I have got the business plan against that, so there is no this thing. If you do not have a business plan and if you have done then there is a problem, in our case we have got export which we have done, if you take our history of last three years there is enough cash flows that we have done.
- Ravi Mehta:** Just one question on what is the forex liability in terms of any borrowings if you have done?
- Mukesh Dhruve:** We have ECB liabilities in which the ECB liabilities which is the external commercial borrowings which is close to about \$12 million.
- Ravi Mehta:** That is repayable by when?
- Mukesh Dhruve:** It is repayable over a period of time and I think over the next five years we have to repay the whole thing so every and there are different loans there are two or three loans but next five years all of them will get over.
- Ravi Mehta:** Thanks. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from Rahul Bhansali from Individual Investor. Please go ahead.
- Rahul Bhansali:** Sir you said that the foreign exchange loss for this quarter was 2.8 Crores right so I need to subtract that from the total sales to get the actual sales for the quarter that will be correct?
- Mukesh Dhruve:** Yes you can do that. That can be fine.
- Rahul Bhansali:** Sir your return on equity is quite good about 20% and your company is also right now growing so I just wanted to understand why has the company take a decision to give out around 30% of the total profit as dividend? Would not the shareholders would be better off the company plans to retain these earning and grow in the future, so would not shareholders get more benefit if you do not payout?
- Mukesh Dhruve:** Those are the numbers, because 30% of the dividend, which we had given three years back we have just increased the ratio from 30 to 60, from 60 to 100 and last also we have also given 100, from last two years we have been given 100% dividend.
- Rahul Bhansali:** I mean the dividend payout ratio is 30% right Sir?

- Mukesh Dhruve:** 25% to 30% that is correct.
- Rahul Bhansali:** My question is would not shareholder be better off if the company gives out less dividend and because the return on equity is quite good and you are still growing?
- Mukesh Dhruve:** I am just seeing even the shareholders should be benefit at 25% to 30% is the normal rate of distribution, which all the good companies follow. Anyway this is the board approved policy where we have got external directors like J.J. Irani, we have got Mr. P.K. Krishnamurthy, we have got Sanjay Asher of Crawford Bayley & Co, Alyque Padamsee. It is a board decision which has been put into place. We also feel that shareholders should benefit by giving away 25% to 30% of the payout. I think it is a good policy because we need to share the profit with shareholders, who have been with us for such a long period of time.
- Moderator:** Thank you. The next question is from the line of Bhavesh Jain from Sushil Finance. Please go ahead.
- Bhavesh Jain:** Sir, do we get something on providing this Cloud Store from publisher? Do we get anything as commission or something?
- Mukesh Dhruve:** Not as of now. We are just started the service, but as we go forward, definitely we may try to work out something. As of now no, nothing.
- Bhavesh Jain:** What is the plan on the export front? How many new countries in African continent we are trying to foray going ahead in the next six months or 12 months?
- Mukesh Dhruve:** We are already there in about 22 countries, but we are looking at the francophone countries where we want to make inroads plus the seven countries that we are dealing also we need to get into the depth, because I think you will hear that we have been doing 10% to 15% of what their requirements are. So there is a good amount of market available in the existing countries also. Going forward we are looking at another four or five countries. So there is a plan for at least booking at another 10 new countries as we go forward.
- Bhavesh Jain:** Sir, what is your guidance for tax rate for this financial year and FY 2015?
- Mukesh Dhruve:** Our Surat plant was 100% tax free till last year, but the current year only 50% tax exemption is available. 100 % tax was exempted in the first five years and now only 50% tax is exempted plus MAT may be replicable. So, going forward you can expect the tax rate of being in the range of around another 20%.

- Bhavesh Jain:** 20%?
- Mukesh Dhruve:** 20% that is correct.
- Moderator:** Thank you. The next question is from Ravi Mehta from Deep Finance. Please go ahead.
- Ravi Mehta:** Sir, just one question on what is the kind of print on demand business that we have done in this quarter?
- Mukesh Dhruve:** Print on demand would be close to about 6 Crores.
- Ravi Mehta:** What is the kind of margins in this segment?
- Mukesh Dhruve:** If you look at EBITDA numbers it will be anything in the range of 22% to 25%.
- Ravi Mehta:** What is the other segment is the normal?
- Mukesh Dhruve:** Normal print segment that is correct.
- Ravi Mehta:** There the margins are much competitive?
- Mukesh Dhruve:** There the margins are little competitive. That is correct.
- Ravi Mehta:** What outlook do you see towards this print on demand business?
- Mukesh Dhruve:** We are seeing that that is really growing. It is improving and if it progress we are expecting a good amount of growth happening in our digital business.
- Ravi Mehta:** Any target, internal targets you have been said?
- Mukesh Dhruve:** I would say in the next year this will at least become double the amount than what it is currently.
- Ravi Mehta:** Meaning we are doing close to about 20 Crores?
- Mukesh Dhruve:** Yes, we are doing close to about 20 to 22 Crores, which we can expect it to grow to 40 Crores very easily.
- Ravi Mehta:** Thank you.

Repro India Limited
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Moderator: Thank you. As there are no further questions, Mr. Dhruve would you like to add any closing remarks before we conclude.

Mukesh Dhruve: Thank you so much ladies and gentlemen and all my friends. It has always been a pleasure to talk to all of you. As usual I get most of the good questions from all of you. So thank you for all the questions. Going forward we see a good amount of business happening at Repro India and education has been the key focus and Repro has been focusing on education in India and outside India. Of course outside India our main focus has always been Africa and those 22 countries that we are looking at. We do not see any slowdown in the education business going forward. Education is something which we see growth happening. In the next six months also looks to be very, very exciting for us and thanks for being here and I look forward to meeting you in the next concall. Good evening and thank you.

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