



“Repro India Limited Q4 FY15 Earnings Conference Call”

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*Repro India Limited
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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Repro India Limited Q4 FY-'15 Earnings Conference Call. As a reminder, all participant lines 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 the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Dhruve. Thank you and over to you sir.

Mukesh Dhruve: Good Afternoon all our stakeholders, ladies and gentlemen. Welcome back to this Con-Call of Repro India Limited and I thank you all for participating in this. It is always a pleasure to meet all of you every quarter and we have announced the annual results in the afternoon, I am sure all of you have got copies of that and we have sent some highlights.

I handover to my colleague Dr. Pramod Khera who will just take you through the "Main Highlights" and then we come to "Question-and-Answers" specifically. Yes, Pramod.

Dr. Pramod Khera: Good Evening, Ladies and Gentlemen. This is Pramod Khera here. We had circulated along with the 'Results' a brief 'Presentation', so I will just take you through that presentation, I hope you have the same opened in front of you. So the first slide which gives the table of contents, it talks about the strategic direction that Repro is taking now, so there are five parts to it — first is the Content Aggregation. Actually, content aggregation is the positioning for Repro that we are now talking about, and as a result of which, there were two new strategic initiatives which we were embarked upon — one is Rapples which we have been talking about in the previous conference call also; and the other is the e-Tail opportunity. With the increase of e-Commerce in the country this opens up exciting opportunities for Repro which I will describe as we go along. And the last two sections of the Presentation relate to our normal business of Exports and Domestic market, and Exports as you can see the heading there, we are talking about the strategy of large volume fulfillment and cross selling, I will explain that, and second for Domestic market we are talking more about margin growth.

So to begin the next slide, we try to explain what Content Aggregation is all about. Our clients are the publishers and they create content, they create books, they create titles, and they are the owners of the IP for that content. As far as this Content is concerned the last mile for a publisher is the delivery of this content and the delivery

happens to the customer with the students or readers either as e-books or printed books, it can happen on paper, it can happen on the computer, on tablet or on mobile, or any other device. So publishers continuously keep on striving to see that they are able to reach this content to the readers to students in the required time and the required size and that is how they maximize the revenues.

So going to the next slide where does Repro come in? Repro actually is bridging in between miles between the publishers and its readers. The publisher creates the content and strives to deliver the contents to the readers. So in between, right from Content Designing to Digital Warehousing from Content Adaptation to Multimedia Enhancements from producing millions of books to producing just one book, this is what Repro does, and as a result of which we have been able to look at two big opportunities as far as Repro is concerned — one is to pioneer the Digital and the bagless education opportunities through Rapples and Second is to participate and enhance the burgeoning e-retail markets, whether in India and global.

Now how does Repro fit into the whole scheme of things? As you are aware Repro has been dealing with publishers over the last two decades and has built strong relationship with its publishers. So we are trying to leverage on these relationships to become the largest aggregator of content here in India. Now for the publishers, the content, the titles are the core of the business and they do not normally part with their contents to anybody unless they are assured that the content is secure, it is not going to get pirated, which comfort and confidence they have with Repro, and hence Repro has been able to build a content repository by aggregating this title from different publishers. This gives Repro a significant competitive advantage over others and anybody else trying to get into this space today will find it difficult to aggregate content the way we have been able to do it.

Now, having this content with us... if you to the next slide, we are talking about the entire flowchart as to how Repro is able to take this content and deliver it in different ways. So if you look at the diagram which has been put over there in the center, there is a content repository. All the content which is aggregated, it resides in this repository, the repository is secure and is not accessible to anybody, there are regular access control which has been put into place. So content is coming directly from the publisher into a repository or we also help the publishers create the content. Now, we create the content but the IP of the content belongs to the publisher, in both the ways the content comes into a repository, and there are three ways by which we help the publishers monetize this content — the First one, the red line it talks about the

Rapples initiative where we convert the content into e-books we load into Tablets and we offer it to the schools or the education delivery; the Second 'light blue line' talks about the e-Tail opportunity where we set up a one book factory where it is possible to print one book at a time as soon as an order for a one book is placed either on Flipkart or Amazon or any other e-commerce site and then it is dispatched to the reader; the Third the 'dark blue line' is our normal regular business where we are talking about the chain of value services right from Product Reengineering, the Print-on-Demand, the short run, long run and procurement services which goes to the publisher and to the customer. So this is the positioning as far as Repro is concerned, Content Aggregation to Effective Dissemination.

If you go to our next slide this explains how this content we are able to monetize for the publisher. Why would the publisher give us their content? Because there are five different ways by which this content can be a revenue generator for the publisher. So that is why we are calling this the gateway for the publisher for increased business, we can take the same content and put into the schools as Digital books, we can put it on e-commerce sites in India and globally, we can also take these books and offer the contents to different newer markets in Africa for the Indian publisher and for the other publishers, and of course the printed books which go into schools or colleges. So once the content is there with Repro for one particular purpose, for example, if you are printing books for a publisher and we have the content, the same content we can put it on e-commerce site and that can result in additional revenue for the publisher, we can also put it in schools as e-books, which can again result in a higher revenue for the publishers, or we can take the content and offer it to say an African publisher in a African country, where the content is really valuable, and thereby increasing the market reach for an Indian publisher and also giving more title for the African publisher to distribute it in his country. So these are the ways by which we can really generate multiple opportunities for the publisher.

So with that information on Content Aggregation I will go to the next part of the presentation, which talks about Rapples. Now Rapples as you are aware we have been talking about it over the last year or so and here what is happening in the Digital world is that there are customized education solutions which are possible today, mobile devices are penetrating into the schools and Digital Content is freely available now and education is moving towards personalized learning. For the last couple of years we have been experimenting on putting books on tablets into schools and we have got very encouraging response from whichever schools we have implemented this. What we are realizing is that as a blended technology which augments the

teachers capability as a solution and that's what Rapples is positioned as and that is yielding results on the ground.

If you look at the next slide the "Rapples Solution" what are we talking about here, we are saying that the publisher who gives the books, there is a teacher, there are learning resources which are available, we have a learning management system which we put at the school, there are preloaded devices in the books and then there is a school infrastructure which is created, teacher training which is done, and education reach the students through the Rapples Solution. So Repro is working with the publishers, so their Content is stored with us, we convert them into e-books and we reach it into the schools, and for the students it is a bag-less learning through the benefits of Multimedia and Interactive Learning. Over the last couple of years we have spent close to Rs.22 crores on Rapples and this entire Rs.22 crores have been written off as expenses in our P&L, we have not capitalized any part of this. So that is Rapples.

The other opportunity — New Initiative is the E-Tailing Opportunity. We just touched upon it in the last quarter's conference call; I will explain to you slightly in detail as to what this opportunity is. So today what is happening is that a lot of books gets sold on the e-commerce sites like Amazon, Flipkart, etc., Now traditional model have been that when the order comes, if the book is available in the warehouse then it gets delivered otherwise it says it is out of stock, and it will be available after 15-days and then they have to print in large quantities, stock it, inventory, etc., whereas now the opportunity that we have is that since we are aggregating content for the publishers, we have those titles available with us and we have set up a one book factory through Print-on-Demand that means we can print even one book at a time. So every order that comes into any of the eCommerce site can come to a content repository, from the content repository it goes into our one book factory, we print that book, and we can deliver it to the customer. So normally the model that we are putting into place right now is that we will give it back to the warehouse of the eCommerce site, etc., and they will deliver it or even we can deliver it directly. So that is the new e-Tailing opportunity that we have been working on over the last more than 6-months.

So the next slide on the same opportunity. We have tie up with international and Indian e-tailers. We are working with them and all the publishers who's titles are there with us in the repository, we can put them up on the Domestic e-tailer site. As and when the order comes, we will be able to fulfill it within 24-hours. Similarly, we

are tying up with global aggregators of content, whereby we will be able to get global titles into our repository also. Now, today these international titles are available on the Indian eCommerce sites; however, they are delivered to the customer within 3 to 4-weeks because they are imported on dollar prices so they are quite expensive too. Now, since we will have these international titles in our repository, we will be able to deliver these titles in India to the customers within 24 to 48-hours on rupee pricing which will be much-much lower than dollar pricing currently which they have to pay. Now, similarly because of our tie-up with the global aggregators, the Indian publishers who's title we are aggregating, we will be able to give it to our partners globally and they will be able to put up these titles on eCommerce site across the globe, thereby increasing the reach and the market for the Indian publishers globally. So this is the opportunity that we are talking about. Once we do that we are introducing tremendous amount of improving the efficiencies in the supply chain which results in a cost reduction for the publisher, and if the publisher chooses that can also be passed on as benefits in price to the customer. So all in all it is a win-win situation for everybody. So where we come in is that as our content repository grows with the addition of more and more publishers who are giving us their titles, we will be able to offer this service to more and more number of titles which are available today on eCommerce sites.

Now coming to our regular business of Exports and Domestic: The Exports business if you look at the title what I have mentioned over there — Strategy of Large Volume Fulfillment and Cross-selling — so here what we are attempting to do this year as you can see from the results was not a very good year for Exports, I will explain that in the latter part of our presentation; however, what we are saying is that in Africa, our strategy is to produce the right product, at a right price, in the required time and reach it anywhere in Africa. We have executed large volume orders for publishers and for some governments in the African continent where we have taken books, we have printed the books for schools, and we have kitted them in the required quantities for each student school wise and we have delivered it to schools within the country like Tanzania or Malawi, etc., right up to the schools. So there is a fulfillment service that we are able to bundle in along with the printing and that gives us a significant competitive advantage over other printers who do not have these capabilities. So that is one part of it.

The second part is what I have tried to explain earlier that many of these African countries, they need good content and good content is available in India with the Indian publishers with whom we work. So wherever such gap exist in any of these

African countries, we have been approaching our Indian publishers, getting their content, localizing it for the respective country and giving it to our publisher-partner in Africa for local printing and distribution and marketing, whereby the printing happens with Repro, and also sends the African publisher using content for the Indian publisher, he pays the royalty to Indian publisher, and we get some percentage of that. This is the opportunity that we are seeing good potential in the coming years from Africa.

The last one, Domestic market: Here we are talking of Strategy of Value Addition and Margin Growth. As I have been talking in the previous conference calls also, we have been moving more and more of our customers from just doing pure prints to full services including Content, Print-on-Demand, Fulfillment, Content Creation etc., And as we do that the EBITDA margin improve. So today almost 30% to 40% of our customers have moved to taking on some other service apart from just pure printing, and as a strategy we are moving more and more publishers into full services, and once we do that the EBITDA margins for pure printing sort of an opportunity is less than 10% whereas if you move to the full services it can go as high as 20-25-30% also and that is an effect we are seeing in this year as I will explain to you when I talk about the financials. So that is the strategy in the Domestic market, and we are geared up to print even 1 million books if required or even 1 book if required through POD. So that is the overall strategic presentation.

The financial numbers have been given to you. In this presentation we have one slide which talks about the consolidated numbers for the full year in comparison with the consolidated numbers of the previous year. Now before I conclude and hand over back to Mukesh I would just like to give two or three highlights which are given on the next slide which talks about the year '14-'15 over '13-'14 the consolidated results: As you can see the overall revenues have reduced from Rs.421 crores to Rs.395 crores that has been the reduction from '13-'14 which have been due to the reduction in Exports; Exports have come down from Rs.197 crores to Rs.114 crores. Now this reduction that we have seen in Exports have been mainly because of West Africa, Nigeria, Ghana where we have seen more than 50% reduction, now here we were impacted by the Ebola crisis and there were elections due in Nigeria which have got over, the new government is taking over from May 29th plus there was a 60% duty which was proposed to be implemented on imported books and that hangover effect lasted for more than 8 to 9-months and now the clarity has emerged that there is not going to be this duty which is going to be imposed, but because of these reasons we were not getting orders from Nigeria; however, since we had broad based

our markets in Africa and moved to other countries also, we could still do a turnover of close to \$20 million from Africa.

To compensate that we had a good run on the Domestic side; we saw 26% growth from Rs.223 crores to Rs.282 crores. So the overall revenues have been more than flat to slight 6% reduction. If you look at the PBT, yes, that has come down from Rs.34 crores to Rs.25 crores approximately; however, like I had mentioned earlier we have been spending on the new initiatives which is Rapples and e-Tail, this year in fact we spent almost Rs.14.5 crores, out of which Rs.2.9 crores was spent on e-Tail and the balance on Rapples, compared to Rs.10.12 crores last year. So after you remove this the PBT from the pure Print business from Africa and India has been Rs.40.17 crores this year as compared to Rs.44.43 crores last year. Now this reduction has been mainly because one, Exports have come down, if you see the Exports-Domestic ratio it is today 29:71 compared to 47:53 last year, and Exports as we said has a higher margin than Domestic; however, this year Domestic EBITDA has improved from 9.14% to 14.2%. This improvement has come over because we have moved more and more clients towards the full services. And as we go along we should be seeing this effect more enhanced to the coming quarters, coming years. The Export EBITDA has come down from Rs.31 crores to Rs.17 crores and this reduction is mainly because we got some government contracts which was bid on tenders and the competitive bidding but also since the turnover of Exports came down from Rs.197 crores to Rs.114 crores the fixed cost for the Export business, the cost of marketing, the employee salaries, etc., which are into the Export business, they were amortized over a lesser volume, and hence obviously, the margins are lower as far as Exports are concerned. So this is the overall picture of the consolidated results.

Two or three key business parameters I would like to highlight here: Debtors which we talk about every year, last slide talks about the debtors which is around Rs.172 crores, out of which Rs.95 crores are from Domestic Print, Export is Rs.72.5 crores and Digital is Rs.4.3 crores. If you look at the number of days, Domestic is 133 days which is more or less in line with the industry norms 120 days is normally what we end up offering to the Domestic clients, Exports is high 233 days, Digital is Rs.75 crores only but overall is 158-days. Now Exports, as we had mentioned earlier, there are some payments which have been stuck due to non-receipt of payment from the government by the publishers, and as and when they are getting the money from government, they are paying us; however, we have also taken recourse to the ECGC and filed complaints with ECGC for recovery of these and this is amounting to

around Rs.30 to 35 crores. So if you remove those debtors on the current business that we are doing in Exports, the number of days is only 120-days and the total if you remove the Rs.35 crores then on the total outstandings the number of days outstanding is 126 days. Now you would like to know what is going to happen as far as Exports is concerned in the current year. Like I said in Nigeria the worst is over, the import duty clarity has been got, Nigeria has been declared Ebola free, and also the new government is taking over from May 29th so we do expect Nigeria to really start contributing again to our Export revenues. Also, if you look at the opening order book on 1st of April its around Rs.60 crores this year as compared to Rs.34 crores last year and Domestic while it remains the same around Rs.33 crores export opening order book is Rs.26 crores which was only Rs.1-1.5 crores last year. So there is Export business which is coming in. This Rs.26 crores most of it will get executed in this first quarter and as we go along hopefully once the new government takes over in Nigeria, we should see some more orders coming from Nigeria too.

CAPEX around Rs.12-12.5 crores is the regular maintenance CAPEX which was incurred last year and the balance was some new machinery that we had to purchase to balance the capacities that was in the CAPEX spend last year. So I think these are the key financial and business points that I wanted to highlight and that brings me to the end of the presentation.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.

Pritesh Cheddha: Sir, just wanted to understand what is now the contribution in the total revenues from the red line which you have shown in the presentation on Content Aggregation which is your student side pre-loaded tablets Rapples business, and the light blue line which is the one book factory?

Dr. Pramod Khara: Both these businesses are new and especially the one book factory is just coming up and we have not really started any business which would generate revenue as far this is concerned, this should happen in the latter part of this year. As far as the red line the Rapples is concerned, yes, we have students who are paying and we have close to a thousand students from around 8 schools I think which are paying now, though our revenue is still miniscule it does not really add to the overall revenues as a company at this stage.

- Pritesh Cheddha:** And my second question is somewhere in your opening remarks you mentioned you have spent Rs.22 crores on this initiative in the P&L item, the presentation has 14, so is it 22 or 14 and second, this 14 which line item would it actually appear?
- Dr. Pramod Khera:** Rs.22 crores is for 2-years. So if you look at the other attachments that we have sent with the results now there is a note #2 which gives the details, so last year we had spent Rs.10.12 crores on Rapples, this year corresponding figure is Rs.11.59 crores, so that is the comparative figure and so Rs.11.59 crores plus Rs.10.12 crores is around Rs.22 crores is what I talked about what we have spent in the 2-years of Rapples. In addition to that we have spent around Rs.2.9 crores of e-Tail in this year.
- Pritesh Cheddha:** And what are the nature of these expenditures?
- Dr. Pramod Khera:** These are employee salaries, marketing cost, IT cost and travel cost.
- Mr. Mukesh Dhruve:** Normally such expenses we can amortize but we have taken a policy where we are writing off the expenses every year. So what Pramod mention, Rs.22 crores has been written off on Rapples from profit & loss account and almost Rs.2.9 crores for the eTail business which we just started last year, which we are writing it off.
- Dr. Pramod Khera:** So one of the things which I mentioned that marketing, we have been doing some promotions, for example, Delhi Book Fair, we have taken a stall there and where we have set up an actual class room, demonstrating the Rapples Solution where we had principal, teachers, students, coming and attending, a large number of them, we had publishers coming. So that is one. Similarly, we have participated in Book Fair outside India also and taken this initiative to the publishers across the globe so that we are able to aggregate more content, it was repository. So these are for eTail we have also visited some of the current one book factory which are existing the world over, country like Germany, UK, Korea, etc., understanding their model so that this replicate the same in India.
- Pritesh Cheddha:** It has been about three years that the business has not grown. Could you give some direction as to the scale and size of the business that you are looking at both the base business of printing fulfillment and the eTailing s business and how does the business mix change and the margins change over the course of time?
- Dr. Pramod Khera:** As far as the normal business is concerned, yes, you are right, it has not really grown. This year unfortunately, we had this problem in Exports because Domestic has grown, like I said more than 26%. And if we had not seen this drop in the Export

business we would have seen overall growth in the company's turnover. Coming forward, like I said, Exports look positive; Domestic we have been growing consistently over the last three years. So while we do not give any future guidance, we do not give any projections in any of our investor meetings. These two businesses are looking quite positive and the new businesses like I said are not going to significantly contribute to a top line even in the current year, they would add some amount of revenues, but it is a year down the line that we will see them clearly generating revenues which would impact the top line of the company. Just to give an idea, Rapples, like I said, we have got around 1,000 students. The opportunity is big; there are close to 3 to 4 lakh private schools in the country which can afford to have a solution like this that we are offering. And once we are able to take this product and give more thrust to the marketing...as per our estimate, this is almost a \$2 billion opportunity. Now, how soon we will reach there, whether we will reach there, how much of that market share will we get, it is a question of time when we go in subsequent quarters we will be talking more and more about this. eTail opportunity again is a very big opportunity, most of the eCommerce sites started by selling books and books are quite a large component of the revenues. If we are able to offer the solution to the eCommerce site which looks very-very promising today, we should be able to see good amount of revenue coming in from the eTail opportunity also.

Pritesh Chedha: Can you just internally what is the scale that you are looking at in this business 3 years from now – are you looking at Rs.100 crores revenue or less, some internal ambitions you must be having?

Dr. Pramod Khera: Yes, we do have internal projections and our plans; however, like I said, we do not share that with anybody outside, we do not give any future guidance.

Moderator: Thank you. The next question is from the line of Kushal Rugani from IIFL. Please go ahead.

Kushal Rugani: My question is regard to like in current year we have done like Domestic growth of 26% while Exports reduced, right. So in FY16, what sort of trend is likely to be – is it likely focus is going to be on Domestic front only?

Mr. Mukesh Dhruve: I think Pramod has explained this. As we said, the issues that we show in the Exports especially in the West Africa region, the four issues which Pramod said, all those four issues we see a big change, as you must be aware the World Health Organization has declared West Africa free of Ebola, last time because in Ebola schools opened almost 3-4 months late, so book buying was not there. Second thing which he

mentioned was about import duty imposition. The new government has come in and has already declared there is zero duty on the import of books in West Africa especially Nigeria. The third thing which Pramod mentioned was the political instability because of the elections, a lot of funds are diverted for the elections. Now, there peaceful elections have happened in Nigeria in March and two days from today 29th May the new government is taking charge, so we can see the things changing in June. The last issue which is a very soft issue was as elections and all were happening, the currencies underwent a lot of depreciation; the local Naira, which was 160 to a dollar, went to 250; however, it has now stabilized quite steady at about 200, Naira is I am talking to you from 260 levels has come down to 200. With the changing factor, as Pramod has mentioned, we can see Exports happening much better than what we did last year. It looks very-very promising for the current year. And as far as Domestic is concerned Pramod has already explained with our thrust being on Content Aggregation, we see a decent growth happening there also, which looks very promising.

Kushal Rugani: Like as per BSE data, promoter cumulatively have sold like around 5.5% of shares, right, and some of the universities as per data have bought, so my question mainly regard to is there any plan to indulge in strategic investors or something like that?

Dr. Pramod Khera: This was an opportunity which came about and we had this university talking to us through some banker, they wanted to invest in Repro because they saw a good education role in the company. One option was to do a fresh equity but then that was quite cumbersome and since there are foreign entities involved, so they said that if it is possible to pass to the other promoters, if it is possible to part with some kitty, and so we took a decision and we have done that. But there are no plans as such anyway right now for introducing any other investor currently, there is nothing on horizon.

Moderator: Thank you. The next question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.

Pritesh Cheddha: The Rapples and the eTail platform, how different would it be let us say platform offered by an MPS in India?

Dr. Pramod Khera: No-no, MPS is offering content services. So they are just doing like content conversion, content enrichment, working on the content for a client and giving back to the client. What we are doing is we are taking content from the publishers, we are helping the publishers repurpose it the way MPS does it; however, we are doing it for

a specific purpose for generating more revenue for the publishers through Rapples and through eTail. As far as Rapples is concerned, we are converting it into e-books, we are adding multimedia to it, and then we are offering it to the schools as an enhanced book and enhanced learning experience and thereby monetizing the content for the publishers, where MPS just converted and gives it back to the publishers. Similarly, eTail we are having the content in our repository, and as and when any order is generated, either on Flipkart or Amazon or InfiBeam or any other site, the order will come to us, we will just take that content from our repository, print it, and we will send it back to the customers, and thereby we will be able to service the demand which is generated. So MPS is just a service provider, whereas we are a Content Aggregator and we are able to channelize the content into multiple revenue stream for the publishing.

Pritesh Cheddha: Is it fair to understand that the last mile is what is lacking in MPS which is there with you guys?

Dr. Pramod Khara: MPS is a different business model altogether, it is a different company. I do not think you can compare MPS with Repro.

Pritesh Cheddha: Can you tell us the content repository now that we have, is it possible to assign some numerics to it? And the cost that you incurred for the two years, is it something which continues for the incremental years also and somewhere this cost is linked to digitization of that content for the platform?

Dr. Pramod Khara: No, as far as the content repository is concerned, it consists of the data center, the servers, and the security system that we build around it, this is the one-time investment, of course, there are maintenance investments happening, but most of the significant investments as far as content repository are concerned, have happened.

Pritesh Cheddha: How many books would be there?

Dr. Pramod Khara: We have thousands of books right now, it would be in the range of anywhere between 5,000 to 7,000 and now the thrust has to come to aggregate more and more content, we are going aggressively and enhancing this repository.

Pritesh Cheddha: On the cost side?

Dr. Pramod Khara: Cost side like I said, there is no further investments which are required, the only cost that will be there will be the marketing and the reach to the publishers, getting the

content, converting it and then putting it. So there will be a cost of conversion and cleaning up the content, and putting it into the content repository.

- Pritesh Cheddha:** Which means that this Rs.14 crores type number continues?
- Dr. Pramod Khera:** Both the initiatives put together, we would be spending around Rs.3-5 crores per quarter at least for the next 12 to 18-months.
- Pritesh Cheddha:** When do you think is the inflection point for monetization?
- Dr. Pramod Khera:** As far as eTail is concerned, like I said, we should start seeing the revenue flowing in by end of this year and as far as Rapples is concerned, we already have paying students and currently the per student realization would be around Rs.2000-2500 per year. As the number increase, we should be seeing revenues coming in.
- Moderator:** Thank you. The next question is from the line of Rahul Bhansali, an individual investor. Please go ahead.
- Rahul Bhansali:** What was the revenue from the Print-on-demand business for FY15?
- Dr. Pramod Khera:** If you look at Print-on-Demand for FY14-15 it was around Rs.21 crores.
- Rahul Bhansali:** But for FY14, I think we had around Rs.28 to 30 crores, right?
- Management:** Rs.19 crores, which has now become Rs.21.15 crores.
- Rahul Bhansali:** I think in the calls that we had earlier in the year we were hoping to double this figure. So has there been any issue with regards to this?
- Dr. Pramod Khera:** No, as far as the POD is concerned, what happens is that, the POD right now the way we are doing it is essentially for Short Run Printing. Now, Short Run Printing, when the order comes, if it is below certain quantity, we take into Print-on-Demand, if it exceeds the quantity, we take into Offset Short Run Printing. So, once the content is with us, it is up to us to decide whether to do a Print-on-Demand, or whether to do a Short Run Printing. So because of the content being into our repository, we are seeing more business coming in from this customer now, all of it might not get classified as POD business, some of that is also going into traditional print business by Short Run Printing.

- Rahul Bhansali:** In terms of the Domestic business, for the Q4 figure has actually come down when you compare it to Q4 of last year. So any issues on that front?
- Dr. Pramod Khera:** Same as around Rs.70 crores.
- Rahul Bhansali:** But in Q2 and Q3 we grew by around 20-25% and this quarter we have kind of stayed flat. Any particular reason for that?
- Dr. Pramod Khera:** What has happened that, we are entering into contractual agreement with the publishers. What that means is that we get visibility for the full year as far as the business from the publisher is concerned. When we enter into more of our full services we are able to get the entire year projection for publishers. So, we are able to pre-poned the printing because Q4 is the heaviest quarter because that is the season when most of the education books get printed. Now, our capacity is fixed. What we do because of this contextual arrangements to the publisher, we print this in advance and send it to the publisher, thereby earlier quarters also show good revenues and that is the effect you are seeing.
- Rahul Bhansali:** From FY15 onwards, we kind of shifted from going to the global publishers and now we go for the government tenders, right. So was that shift done to basically decrease our working capital days?
- Dr. Pramod Khera:** No, like we explained, the business from a publisher which was coming from Nigeria, Ghana, that was affected due to the various reasons that we talk about. In the other countries like Malawi, Ethiopia, etc., most of the business gets done directly by the government rather than the publishers. That is why the new business which came from the new territories were from government business; however, going forward we would prefer to do business with the publishers because we get better margins there, and looking at the trends like we explained, once business pickups from Western Africa, you will see more and more business coming in from publishers with better margins.
- Rahul Bhansali:** So once the exports reach the same level as of the FY12 & FY13 years, we would likely to get the same EBITDA margin around 25-30%, is it?
- Dr. Pramod Khera:** Hopefully and most likely, yes.

- Rahul Bhansali:** One thing I wanted to understand was how much capacity do we have to print books – is it Rs.550 crores or Rs.600 crores or Rs.650 crores because I am not sure about the numbers.
- Dr. Pramod Khera:** Overall, the capacity is around Rs.650 crores to Rs.700 crores of capacity, that is the full capacity.
- Rahul Bhansali:** This Rs.650 to Rs.700 crores, does that include only the printing capacity or does it also include the value added services that we give?
- Dr. Pramod Khera:** This is combined.
- Rahul Bhansali:** So let us say we do 30% of sales as a value added service and the rest 70% are just printing then the sales figure would be how much?
- Dr. Pramod Khera:** No, no, it is not like that. Actually we do not measure the capacity in terms of crores. It is around 65,000 MT for the capacity. Now per tonne realization that we get say 1.1, 1.2 which gives the turnover of Rs.650 crores to Rs.700 crores. Now if you offer more services the realization goes up.
- Rahul Bhansali:** If we were to increase our sales next year by around 30%, would we need to have more capacity or we can do it with the capacity that we have right now?
- Dr. Pramod Khera:** There might be some incremental investments and equipment required to balance the capacity, otherwise we do not need to do any really fresh CAPEX.
- Rahul Bhansali:** Do we need to also employ more people for generating the extra sales or... ?
- Dr. Pramod Khera:** No, so the fixed cost have been taken care of.
- Moderator:** Thank you. The next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** I had a question regarding your e-Tail cycle for the publisher. It is I believe point #3 on your New Initiatives. Could you walk me through the traditional model which you spoke of?
- Dr. Pramod Khera:** Today, when you go to any of the e-commerce sites and place an order for a book, the e-commerce site will prescribe to Amazon, they will go to a publisher and says that this book order we got, so we need to fulfill that, so they will collect it from a

publisher and they will send it to the customer. Books which are fast moving, they would also stock it with them or the publisher will stock it. That is the current model. There the problem that happens is that many a time when the order comes and books are out of stock because the traditional way of printing you would print may be 2000 or 3000 copies, unless until sure of the demand you will not print them; however, the new model that we are proposing is that as and when an order comes, even if it is for one copy of a book, the order will fall into our system where we will have a content and we will print a fresh book every time within 24-hours and we will send it to Amazon or Flipkart to send it to the customers. It is a no-inventory model, there is no warehousing required, and we are never out of stock.

Moderator: Thank you. The next question is from the line of Ashish Shah from Budhrani Finance. Please go ahead.

Ashish Shah: I just had a couple of questions: Last few years if we look at your domestic market, that shown very strong growth. So can you help me understand what really drove this increase in Domestic business?

Dr. Pramod Khara: That has been our conscious strategy when we started thinking about Content Aggregation,we wanted to reach out to more and more customers, more and more clients so that we are able to get the books from all the publishers into a repository. So, we set up marketing teams in the south, in the east which has started generating,for example, last year we added almost 66 new clients and which gave us additional revenue of close to Rs.25 crores to Rs.30 crores. So this has been a conscious strategy, and going forward we would like to do more of this.The whole idea is that the more publishers that we work with,the more they get comfortable with us, they will be willing to part with the content and the content will add to a content repository and once it comes in there, then there are a lot of other opportunities which open up for us.

Ashish Shah: A couple of more questions: We saw some write back of provisions for FY15. Anything likely for next year on those lines?

Dr. Pramod Khara: We have a policy for provisioning that we keep provisioning every quarter because that policy is monitored quite closely by the board also; however, like I said earlier also, most of the debtors which are there, the payment gets struck because back-to-back the publishers have to get payment from the government, etc., but we have got very good relationship with the publishers.As and when they get the payment, they pay us.Then we have to reverse the provisioning that we have done. But over the last

six years if you see there is almost Rs.2,000 crores worth of business that you have done, totally put together and the net bad debts which have been written off is around Rs.9.65 crores, which is 0.5%. So, recoveries have happened, whatever provisions have been made in the future also, we will see recovery happening. How much, when, etc., it is nobody's guess.

Ashish Shah: Again, for the year ended we saw the total debt actually moving up. So any thoughts on that for the next year?

Mr. Mukesh Dhruve: Actually, these are just short-term working capital debt but we do not see that going up for sure, remain more or less same, not much of a change.

Ashish Shah: Sir, we saw some improvement in interest cost. Do you see that sustaining next year, right?

Mr. Mukesh Dhruve: One of the strategies which we have discussed in the past is the strategy for financial consideration, if you look at the whole year, the finance cost has come down from Rs.19.31 crores to Rs.12.38 crores... comparable numbers I am giving you, which is almost a 36% reduction year-over-year. Just sales ratio has come down from 4.59% to 3.12%, again a 32% reduction year-over-year and inventory from Rs.35 crores has come down to Rs.25 crores, 29% reduction year-over-year. If I have to get overall total cost, it is just about 6%, and we do not see that is going any more.

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

Karan Shah: My question is just wanted to understand the recent stake sale we have done to these investors, is there any kind of strategic business opportunity that we are looking to explore with this universities?

Dr. Pramod Khera: These are endowment funds of these universities, and yes, they are strategic investors, and as and when there is either visitors or we meet them and if there are like-minded companies that they have invested in somewhere else, they can put us together, and after that it depends on how minds meet. So overall since they are in the education space, it is more of being present along with them, networking with other investments of theirs which could result in anything which is strategic in nature, then we can take advantage of that.

- Karan Shah:** I just wanted to confirm, so what is the total promoter group shareholding after this stake sale?
- Mr. Mukesh Dhruve:** It is around 64%.
- Moderator:** Thank you. The next question is from the line of Swati Mehta from Foresight Ventures. Please go ahead.
- Swati Mehta:** Just wanted to understand, who are the other players who are catering to the African market?
- Mr. Mukesh Dhruve:** As far as export of education book is concerned, from India there are a few publishers who are based in northern India, who directly send the published books go to there, which is mainly in the STM segment, Scientific, Technical and Medical books which are exported directly to Africa, but a major competition outside India which is mainly from Malaysia, we get some competition from Middle East, very little from UK, and may be South Africa itself is quite developed, so we get some business, from South Africa also.
- Swati Mehta:** So what is our selling point over these competitors?
- Management:** We have two or three major advantages — one of the major advantages of early mover decision, in Africa now close to about more than 12 to 13-years, so we have that first mover advantage. #2, the most important thing which Pramod has explained in the earlier part, is the content of the publishers. Now, most of the publishers of Africa, we have almost relationship of more than 200 publishers in Africa, who's content is already lying with us. Now, the content being with us is very-very strategic and they do not trust any outside players, they are curtailed. One of the major challenges that Africa face is the piracy. The moment the books are printed, piracy come into the market. Now India and Repro especially has created kind of niche value where they are able to translate the content and be able to print and deliver books in a very-very short time. For example, if we get an order for 10 million book able to do in less than a month and deliver any part of Africa. So, these are some of the advantages that we have.
- Moderator:** Thank you. As there are no further questions I would now like to hand the floor over to Mr. Mukesh Dhruve for closing comments.



*Repro India Limited
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Mukesh Dhruve: Once again, thank you, Ladies and Gentlemen for coming over to this concall. It has been an interesting discussion and I think we could explain to you all the new initiatives that Repro has taken, especially we see promising and exciting time in Repro as far as the eTail business, both our new initiatives which Repro has undertaken, and where we are seeing that things are going to move faster than what we have seen in the last couple of years. In the traditional business I think Pramod has explained to you, it looks very-very promising and we see a good future ahead. Thank you for participating and we look forward to seeing you in the next quarter.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Repro India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.