



“Repro India Limited
Conference Call”

August 12, 2013

MANAGEMENT: MR. MUKESH DHRUVE

Repro India Limited
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Moderator: Ladies and gentlemen, good day and welcome to the Repro India Limited Q1 FY'14 Earnings conference call of Repro India Limited. 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 after the presentation concludes. Should you need assistance, during this conference call, please signal an operator by pressing “*” followed by “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 all our stakeholders, ladies and gentlemen. Welcome back to this concall of Repro India Limited. Thank you for being with us as usual and again. Very quick update on what has happened in the first quarter, but before that I will just give a macro view that as you know Repro as been focusing mainly on education as a segment and education has been the key driver or the key focus where we are trying to add a lot of value to the education segment and working with publishers in two major territories, I would say India as a country and Africa as a continent. These are the two areas where we are focusing and India basically focusing on the publisher with whom we have relationship into place and where we are getting to do better and better with the publishing business in India.

Exports and specifically focus on Africa is where we are focused quite well and that is something which is happening and changing. Third and the most important area is the digital business or the tablet business that we are focusing on based on these two businesses where we are converting books for schools into tablets and providing them to the students in the digital media. But one of the key things that I think most important part was the strategy and thrust, which was on exports has really started coming back, as most of you will remember in Q4 that is the preceding quarter our exports for the first time in two years has come down because of various reasons like we had not got approvals or we have not got finance tied up and because of which we did not want to take the risk and get into those businesses that has now changed. As you can see if you compare the current Q1 with Q4, exports has almost grown by about 46%. So, exports have come back to the growth with which we are extremely happy. Business which was in about 14 countries in the previous quarter has now increased to 19 countries. So this grew both in width as well as depth in the African continent. The Ghana government order, which we had confirmed in the Q4 has now been executed in Q1. We have secured new businesses from Eastern Part of Africa especially from Tanzania. So the focus on tender business and partnership in Africa is really growing fast. As I am talking to you, we have just signed up in this week a contract with Mozambique government for supply of books to Mozambique. So, there is a big change that

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is happening in the exports in the impetus, which we adhere to , export sales started coming back into the system.

Looking at the domestic business, our strategy has been to focus on 30 top publishing customers who have a combined potential of about 800 Crores. Our relationships are already in place and now we are able to focus and get into place with all these 30 publishers with whom we are working already. In the last quarter we secured one of the largest orders from the domestic market of about 13 Crores from a single publisher and of course we got a new order from the government of West Bengal. We had always had mentioned we are looking at PAN India presence, Repro has always been in the western region and the northern region. We have now moved into the Southern as well as Eastern region. This is a good contract coming from the Eastern region for Repro. So, PAN India strategy is now fully being implemented. The demand where Repro has been the first company to invest in the new digital technology has started yielding results and now we are focusing on the parallel education system where the results have started coming in.

I think the quarterly results are already been given but the topline has remained more or less at about 90 Crores; however, if you notice the operating profit is about 19% of the revenues, that is about 17.17 Crores, PBT is at 11%, which is at about 9.67 Crores and PAT is at about 10%, which has shown a good result between domestic and exports you will see domestic going down, slightly compared to the previous quarter because Q3, Q4 is very strong for the domestic market, Q1 is where the domestic demand normally goes down. The good trends, which I mentioned in the beginning export has grown by 46% from 33 Crores of the last quarter, we have now gone to 48.5 Crores. So that is a good change. So, that of course, sequentially has shown better results. The export to domestic ratio, which in the last quarter was 37:63, has moved to 54:46; so, 54% has been exports and 46% has been domestic business.

I would just like to close this by giving a perspective of the last five years. If you look at the last five years, results of the Repro India Limited, our topline has grown from 248 Crores to close to about 382 Crores. So, from 248 we are moving close to about 400 Crores. The growth profit EBITDA margins from 35 Crores have grown to almost close to 70 Crores. In terms of percentages we have moved from 14% to close to about 18% and the networth from 109 Crores has grown to about 190 Crores. PAT of course, from 16.5 Crores has grown to about 38.5 Crores and debt equity, as you noted, it has been coming down. Last year it was 0.43 down to 0.24. EPS what was 15, five years back, has moved to about 35 and Dividend as you know from 25% we have moved to 100%. We see a good amount of business happening in education and we will continue to focus on education as a segment with a lot of value ads that we are doing.

I welcome back to the conference and look forward for your questions.

Moderator: Thank you very much sir. Participants we will now begin with the question-and-answer session. We have the first question from the line of Sangeetha Purushothaman of Cogito Advisors. Please go ahead.

Sangeetha P: Hi Mukesh. While the performance has been extremely encouraging in terms of the growth of exports as well as on the margins front, for the last few quarters, the concern really has been the growth at the topline and even in this quarter we are basically seeing a flat topline. Now, if you look at the capacity that the business has built up, in terms of sales we could potentially achieve almost twice the amount that we have, what is the reason, why we are seeing this sluggishness in the topline growth?

Mukesh Dhruve: Two reasons, one reason in the last couple of quarters, exports are something, which actually declined, which we were not expecting because our focus has primarily been on exports as you noticed, it has always been 60:40; 60% has been exports and 40% has been domestic, but what has happened is the export business, because of various reasons, which I had explained in the last concall, like not getting approvals from clients, or some of the government business, by the time you get the confirmation, and all the execution comes almost a quarter goes through or sometimes you do not get LC confirmation, the finance comes from the World Bank till they get the finance tie up, we do not want to take chances where we are not sure about the finances. Therefore, one of the results were exports did of course come down and that is where I had mentioned in the beginning that we can see a change happening in exports now. Exports have come back to the growth path. All those issues, which we had in the previous two quarters has started going away and this quarter as you can see export has grown by 46%. Domestic business, about 40% is what we were doing. After seeing the exports down a little bit, of course, we have changed gears and we are focusing on those 30 top publishers who are in this business and who have potential about 800 Crores. So, we are putting our strategies into place and we see our domestic business growing. Yes, the topline has not grown as what it is but all the time, we have been little choosy on the overall business strategy where more than the topline we have been focusing on the operating margins. Where we are getting good operating margin is where we are focusing. Today, if we want the topline to grow faster than what it is, may be we have to sacrifice some of our margins like the business which have done 90 Crores this quarter, I can go up to say 120 or 130 Crores but then my margins would go down which is not what we are really looking at. So, we have to make sure that we make sustained level of margins, add value to the services and grow at the pace that we are expecting.

Sangeetha P: So, in terms of a year-on-year growth, in the presentation you have given the growth versus the fourth quarter compared to the first quarter of last year, what has been the growth in exports and in domestic?

Mukesh Dhruve: You are saying Q4 to Q1 or Q1 to Q1?

Sangeetha P: Q1 to Q1?

Mukesh Dhruve: Last year our exports were superb. If you look at our last year's exports, in terms of total numbers, export was in fact close to about 62 Crores as compared to domestic, which was 31.3 Crores. In fact if you take Q1 over Q1, last Q1 in 2012 was one of the good export quarters. We were showing a growth in the exports. The last couple of quarters is where we went down, but we had seen the reversal of the trend where after going down the export is now picking up back again.

Sangeetha P: So, basically if we compare, so what you are saying is exports have bottomed out although we have still not reached the level that you had reached in Q1 last year. Actually if we do a Q1 to Q1 comparison, we have seen almost a 25% - 30% growth in domestic but the export is down. My other question related to exports is that, we have seen a very sharp depreciation in the rupee. Why are we not seeing that translate into higher margins for you?

Mukesh Dhruve: Because the rupee depreciated just in the recent current 30 – 45 days. However, what we always follow is a conservative policy that when we sign the business we will do our forwards and we will do the forward exchange covers for that particular quarter and that particular business that we have signed up. The results of this depreciation you are yet to see in the future quarters. Immediately you will not get to see that. You must understand one more point that when the rupee depreciates, the customers abroad are more smarter than what we think because there they really look at costing accordingly. Today when we sign a business at say Rs.55 – Rs.56, they always take the dollar at Rs.55-Rs.56 and in India, the dollar is being at Rs.61, they will ask for competitive pricing. In real terms you do not get a great amount of benefit except that competitively to the rest of the world, you become more competitive. Today, when I am competing with Malaysia or Singapore, today India is more competitive but in terms of margin, great amount will not be seen immediately and in the future we can see some improvements in the margin because of this currency.

Sangeetha P: Mukesh, when do we start seeing year-on-year growth coming through in your numbers? Is it going to take another couple of quarters or at this in a sense the worst or is over now where we are seeing flat numbers?

- Mukesh Dhruve:** Difficult but our whole point is, which we have been telling people, do not compare or take Repro on quarter-on-quarter, but if you take year-on-year, if you see our last three years' growth and if you see the average, three years back we have grown about 30%, year before last we have grown at 20%, last year we were close to 10%, which was the lowest growth that we have experienced. Year-on-year we have been growing, percentage and etc., are difficult to predict in this business because of various reasons, which I mentioned and unfortunately we do not give any forward-looking statement at this stage. So, when we can see the results we definitely will come back and give you the numbers when we can, as of today difficult to give a forward-looking statement.
- Sangeetha P:** Okay and one last question Mukesh, why are we seeing the sharp increase in our finance cost although debt equity has actually been coming down?
- Mukesh Dhruve:** That is because of the use of the working capital. With the increase in this thing, our working capital usage has gone up and the overall rate of finance has gone up everywhere. What we used to get in ECBs and the PCFCs is about 4% - 4.5% has gone to about 6% now.
- Sangeetha P:** Thank you so much.
- Moderator:** Thank you. There are no further questions. As there are no further questions, would you like to add any closing remarks before we conclude?
- Mukesh Dhruve:** Ladies and gentlemen, thank you for joining us for this concall. As I mentioned in the beginning of it, we see a good amount of growth happening in education as a segment and we can see the future much brighter than what we have seen in the past. We look forward to growing this business as I mentioned in the past. Our focus will always be on the education, which is what we continue doing in the future. Thank you so much for joining us in this call.
- Moderator:** Thank you sir. Participants, on behalf on Repro India Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.