"Repro India Limited Q3 FY15 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY15 Earnings Conference Call of Repro India Limited. 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 would now like to hand the conference over to Mr. Mukesh Dhruve – Executive Director of Repro India Limited. Thank you and over to you sir.

Mukesh Dhruve: Thank you. Good afternoon and good evening to all my friends and stakeholders, shareholders, thank you for coming back and it is wonderful to talk to all of you again. I would like to start by saying that it has been an exciting quarter for Repro and the new areas that we are looking at look more exciting. I will quickly give an overview and then we can directly go to the financial part. Basically as you know Repro is in two areas in India which is mainly the domestic business working with all the large publishers in India and international business or exports these are the two existing businesses. The new initiative which we are excited about is the e-tailing opportunity that we have got and looking at the new areas that are very-very exciting and interesting and of course RAPPLEs which we have been sharing with all of you and I think the digital education in the country and that is something which we can see a great opportunity in the way forward.

Our financial strategy of reduction of our debt and consolidation has really paid off and results have started coming in which I will be sharing with you but just quick summary about the domestic business it has been a fantastic quarter from our domestic business and the strategy which we have put in place where we want to focus on the growth in the domestic business keeping in my mind how we are growing with our RAPPLE business as well as the e-tailing. Quarter over quarter there has been a growth of almost 21% in the domestic business and if you look at the nine months period there is a growth of almost 46%. This has been an excellent quarter as well as the first nine months since the business has grown the domestic area and that is where our focus was and our strategy was. We see a great opportunity in the Indian education where the government is now focusing , as you know the new government has focused that they will spend 5 to 6% GDP on education compared to 2 to 3%. The publishing, private publishing market that Repro is addressing , there are almost more than 4 crores students and in the market space of 16,000 publishers where there is a captive market of about 12,000 crores. And this is something which is going to grow as we progress

further and this is the area that we are focusing on. One of the key areas which has happened in the current quarter is Repro focus on a comprehensive solution as value added solutions where right from the content creation services to the repository, the product reengineering, print on demand, short run, long run printing and fulfillment services. When we offered all the services are margins have started improving in the domestic business and we see a great trend going forward in this business.

So one of the key thing which has happened in the quarter over the nine months is Repro focused on partnership approach rather than transactional business has started paying, understanding the clients business that how we can add value to the businesses in the domestic market has really helped us grow in this area. And the results are there for you all to see that 46% growth has happened over the last nine months. Another interesting area which has happened is our Pan India strategy of domestic market it is happening well and we have grown, we have grown into new territories like Punjab, Orissa, Chhattisgarh, Madhya Pradesh, Jharkhand, almost 18% of the current quarter sales have comes from these new clients and that is what a very-very encouraging trend for the company as a whole. Coming to the international business a very quick review where as a strategy we have decided that we have downsized that business in order to bring debts down and put the debtors under control and which has paid off due to that the domestic business has grown and has gone to another level. Having said that, as you are aware Repro is present in about 22 African countries and that presence will continue going on however we are focused on large government business with a specific tenders that are backed by the world bank and USA Repro is in the process of almost tying up contracts in Malavi, DRC and other countries and that focus will continue and we see the change happening and getting into these areas.

Then two new areas about which I had discussed and which was very important was the e-fulfillment area and that is something which is an opportunity which we see going forward and which is something which we will be discussing more in details, so we just started the process where the big change will come from B2B to almost going to B2C customers and that is where we see a lot of tie-ups happening with e-retailers in India as well as abroad. We are looking at it as capturing the billion dollar e-tailing opportunity which is there and which is going to grow in the years to come. India is gearing up for that and Repro has the biggest advantage because Repro has the content of most of the publishers and the publishers wants to deal with somebody who can protect that content, you can take care of that content. So this is an exciting area which we are entering too and you will see good amount of change happening in this new opportunity. We have shared all the details with all of you, I am sure you would all

have seen that, and that is something which we are going to grow into. As far as Rapples is concerned, just to update the big change which has happened is last time when we were at close to about 35 publishers agreement that has moved to 40 agreements so in the current quarter we have added 5 new agreements which we have signed up. We are entering into a new area, new schools, we have signed up with a school promoted by the Zee group and that is something which is going to grow up and that is going to grow. Lot of students have now started coming on the pay model, the pilots have started now getting converted into actual number and we can see that as you progress further and when the new year starts lot of improvements will happen in RAPPLES going forward. Pramod will of course take on specific questions when you come to that.

The last part which was the finance part, very quickly that has also paid off very well the finance cost has been reduced from 3.65 crores to 2.23 crores almost a 39% reduction quarter-over-quarter interest to sales ratio has come down from 3.3% to 2.4%, a 27% reduction. The inventory which was an area of concerned last year from 46 crores has come down to 27 crores again a 41% reduction. An operating margin has grown quarter over quarter from 12.53 crores to 14.13 crores which is a 13% growth. Coming specifically to this quarter there has been a 3% growth in revenue compared to the previous quarter from 93.78 crores we have grown to 96.69 crores. The operating profit before RAPPLES has also grown from almost 15 crores to 17 crores. Operating profit after RAPPLES is we look at it from 12.53 crores has gone to 14 crores. PBT before RAPPLES has grown from 9.32 crores to 10.33 crores, PBT after RAPPLES has grown from 6.86 to 7.36 crores. And PAT after RAPPLES has also grown from 5.66 to 6.23 crores. Since it has been an interesting quarter and we see a lot of opportunities in the coming quarter and this is going to be an interesting phase for Repro as I can see in 2015. I look forward to your questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have first question from the line of Rohit Balakrishnan who is an individual investor. Please go ahead.

Rohit Balakrishnan: I am very new to analyzing the businesses, the question may be very naïve and may be also very basic so sir if I understand business right now there is one publishing arm which is domestic and exports and then there is this RAPPLES business and then there is this E-fulfillment that has come up recently. So within the publishing business where you are primarily catering to education sector can you give us the broad margin breakup between domestic and exports?

Mukesh Dhruve: Thank you Mr. Balakrishnan, first of all we are not into publishing so to clarify your point is, publishers are our customers and we are service providers to the publishers and we provide all the related services which I put up in the presentation from creative up to the last side which is the fulfillment part so that is the key thing and as far as broad margins are concerned in one year back I would say we had some challenges in our India business but in the last year our India margins started improving and they have started becoming much better than that. To give you very broadly if we only do just printing services then margins would be in the range of about 5% but where we provide more than printing services which is services like short run printing and POD then margins will go to around 10% plus but where we give them the entire range of services that we have to offer right from contempt services up to fulfillment the margins would be more than 20% plus. So it is between 20 to 30%. So when we offer the full services it will be 20 to 30%.

Rohit Balakrishnan: So right now sir I think in this, not in this quarter but on an average if I am looking at last two years we have been on an average of 15 to 16% in terms of EBITDA, some quarter may be high some quarter may be lower I am talking year end numbers. So is it right to assume that the export business is lowered in terms of margin because you are saying that we are the full service player and I also heard pervious conference call where you said that we would ideally want to be 20% and more EBTIDA margins but we have not been able to achieve that so is it because our focus on exports or what has been the reason for that?

Mukesh Dhruve: To answer your question yes on the average we are earning around in the range of 18 to 20% EBTIDA levels and that is because of the mix of the example that I gave you but as far as the, that was the mix from the domestic market but as far as exports is concerned yes we used to earn in the range of 15 to 20% EBITDA level but the current quarter as you can see our exports are down and though exports are down our overall margins will remain the range of 18% EBITDA for the current quarter and that is primarily because a lot of our Indian customers have moved to full service and that has what has improved the Indian margins.And this has been our strategy where we strategically reduced our exports and focus on giving valued added services to our Indian business and Indian publishers, so that was a strategy which we have put into place and it has now showing results. As I explained in the beginning the Indian market itself is 12000 crores of which we are hardly having any market share , the point being how we can increase our market shares of this 12,000 crores.

Rohit Balakrishnan: Do this 12,000 crores cover entire printing or this is educational printing?

Mukesh Dhruve: This is the educational printing basically the publishing, the market that the publishers have which includes all the three markets which includes education, which includes academic, which includes tradebooks.

Rohit Balakrishnan: Got it. And of this 12,000 crores printing would be 30-40% of the overall revenue front?

Mukesh Dhruve: No, not even 30-40% if you have seen our numbers the India business is close to about, ball park number is up to nine months we are in the range of around 200 crores will be between 250-300 crores so in terms of percentages there is hardly anything, we hardly have any mega shares so that is why we are saying that there is an opportunity of increasing our market share in that region.

Rohit Balakrishnan: Got it. The 12,000 is the publishing revenues that we would look at right, that 12,000 crores is what the publisher of that some part will be shared with the printer which is what your segment is so is that the right way to look at it or this 12,000 crores is totally accruing to the printers.

Pramod Khera: Mukesh can I answer that?

Mukesh Dhruve: Yes, Pramod.

Pramod Khera: The 12000 crores you are right is the entire publishing market and the print would be may be 25 to 30% and then it will affect all the services include that, it could be close to 32 to 40%. Now this has broken into three segments trade, education and children one of the slides in the presentation that we have showed very clearly and till now we have been focusing on the education segment which is around 4800 crores. Now going forward we are seeing a greater opportunity in the children segment where we have the capabilities and we have started looking at that segment quite seriously. Till now we have not really focused on that but going forward we will see more and more revenue coming from that segment and that is an opportunity for growth and secondly the trade segment which is actually very-very conducive for offering print on demand services because there the demand cannot be forecasted as and when the books are required can be printed using POD printer demand. So with that growth of digital printing business more and more share of that segment will also start accruing to Repro.

Rohit Balakrishnan: Got it sir. And basically in which business like I was going through previous calls and I found that we used to do a lot of annual report printing, etc and I would not find the

mention of that in the recent concall so any reason why you removed that part of the business or are we all doing that right now?

Pramod Khera: Yes, Mukesh you want me to take that?

Mukesh Dhruve: Yes, take that Pramod.

Pramod Khera: Over the last three to five years we have consciously decided to focus only on education, so earlier we were printing other books also like magazines and annual reports, however gradually we moved out of those segments totally and today very-very minuscule part of our revenues may be 2 to 3% coming from that segment, that too from clients which are old clients and who they have long term relationships. So since educational sector is growing and there is lot of potential we have specialized in that and we have been able to offer customized solutions for that segment and we are seeing the growth that is coming from that segment that self conscious strategy we adopted.

Rohit Balakrishnan: Okay, got it. And sir regarding our strategy of groing, providing more services value added services to publishers so is there a matrix that you can probably share that what percentage of customers which now offer full services to versus earlier or any other matrix which broadly gives us a view that sort of view that we are increasing our margins.

Pramod Khera: If you look at the solution side the three pillars which are there Phase-1, Phase-2, Phase-3, now Phase-1 is pure printing and that used to be 100% for business may be it is three of four years back now gradually we have started shifting some of our strategic clients to Phase-2 and Phase-3, now as a result of which like Mukesh mentioned our margins have started improving. Now out of the total customer base that we have around 15 to 20% of the customer would have moved to the Phase-3 and equivalent 15 to 20% would be in Phase-2 whereas majority of them are still 60% odd are still in Phase-1. So as we give more and more business to our customers and we are able to sell more of customers we will start moving to Phase-2 and Phase-3, thereby potential of improving margins more than 20% like what Mukesh was explaining.

Rohit Balakrishnan: Okay. And sir from a customer point of view is there anything that would not move from the Phase-1to Phase-2 or Phase-2 to Phase-3 like is there anything that they feel that we don't want to do it from a cost angle or any other angle from a publishers point of view.

Mukesh Dhruve: See if you look at from the publishers point of view, today the publishers are dealing with multiple vendors for all the services and that is a biggest pain area for the publishers in fact even just for printing they have may be 10, 20, 30 printers. Now for a publisher that is not their core business, there core business is to get more and more titles in and to market those titles. The rest of it is non-core to them and they are seeing great value in outsourcing everything to us. Only thing is that it takes time for them to get that confidence and the comfort that is why we are focusing on some strategic customers and converting them to Phase-2, Phase-3 but more and more customers are following suite and they are seeing a lot of benefit and value in that.

Rohit Balakrishnan: Got it. And if I may ask a couple of more questions is if i am allowed. Sir typically like do we get orders which are on an annual basis or what are the typical orders like because we are catering to books is it more once in a year that we have recurring orders or how does it work?

Mukesh Dhruve: When we get into Phase-2 and Phase-3, it is a subsequent side which shows that it becomes more of a partnership rather than a transactional business and that is where we are able to get into predictable annual businesses with these clients. So what happens is at the beginning of the year they share with us what their plans are for the year, what could be their requirements and accordingly then we sit down and we work out a cost grid with them. Once the cost grid is placed , as an when the requirements come they release a purchase orders with that cost grid so it is some sort of annual contract not a firm contract but a indicative sort of a contract in that we will do 10 crores of business in the year and this is the cost grid that will apply on each of those orders so orders keep coming throughout the year so that's the way it looks.

Rohit Balakrishnan: Got it. And sir in terms of domestic and export mix previously it was close to 60-40 or 65-35 tilting more toward exports. Now going forward given our focus on more profitable business and also sort of getting working capital right. So how do you get the mix of revenue in the printing business between exports and domestic market over the next two to three years?

Pramod Khera : I think what we are seeing this quarter is slight abnormality in the sense that exports is only 20%, the domestic is 80% while the domestic we are seeing good traction and good growth and we should be able to sustain this growth going forward we are seeing .On the international business also lot of exciting things happening like Mukesh explained there are large tenders which we have won which are in the pipeline and these should be coming and going forward now that our finances are under control the

debtors are under control and they are putting adequate financial security regulations in place, we will start getting more and more export orders and that should start growing in the coming years, now at this stage it is very difficult to predict but definitely the share of export business with the domestic business should see some increase going forward.

Rohit Balakrishnan: Got it. So sir on a working capital point of view, so what is the typical receivable cycle that we usually are comfortable with I think right now we had around 140 days is that correct?

Mukesh Dhruve: Yes. So what happens in this business mostly in the publishing business the working capital cycle and the credit period expected is about 120 days, having said that there are some customers who expect 140 days, 150 days so which is where we have to extend credit periods and there are some multinational clients who are even asking for 180 days credit but of course at the cost of finance we offer the credits to them. So on the average it should be in the range of 120 to 140 days our target is of course to bring it down as much as we can.

Rohit Balakrishnan: Okay. And also one thing on working capital, I was looking that loans and advances they are also very high around 70-80 days, in fact last balance sheet number I checked was close to 97 days so just want to know I looked at the schedule for the last balance sheet in FY14 there was all security deposits. So what are these security deposits and just want to understand what are these loans and advances because it is quite a high number.

Mukesh Dhruve: It is a combination of two, three factors one is security deposits are given for some of the tenders and other things that we bid for, then there are security deposit given for some of the LC other transactions then the third portion is security deposits given for the premises that we are using, so these are three combination of security deposits which have been given but it is completely recoverable and we don't see a challenge in that. It is only we are using the premises the deposits will remain the moment we give up the premises the deposits will come back. As far as tender and the other deposits are concerned they are in the form of rotation thing and they keep on coming back.

Rohit Balakrishnan: Okay, so out of these let say 100 crores that were there in last six months balance sheet 2015 what will be the biggest quantity will it be tenders and anything?

Mukesh Dhruve: Difficult to predict but I think end of the quarter I will be able to give you specific numbers. On 31st March I will be able to tell you what it is exactly but as far as routine business I don't see that as a challenge at all.

Rohit Balakrishnan: Got it. But sir this return on capital point of view because it increases our capital employed it acts as drainer on our return matrix that is why I am asking this.

Mukesh Dhruve: Yes, but I am just saying if we are using premise for business purposes we have to give a deposit so that is a routine part of business.

Rohit Balakrishnan: Sure sir. I was just trying to understand what is more bigger part of it so security deposit I agree with.

Mukesh Dhruve: Security deposit is a bigger part of it that is correct.

Rohit Balakrishnan: Okay, got it.

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

Ashish Shah: Just few questions we have seen the business mix changing especially quite significantly in favor of domestic, just one strategic question on exports is there a way that you can target some different export markets and why the fixation only to Africa is there not a possibility we can explore some other export regions?

Mukesh Dhruve: Ashish we are looking at that and the point being that Africa has been a area of opportunity and that is something where we have grown but it was strategic decision to reduce the exports and focus on domestic, within the capacities that we had, whatever export capacities we reduce we utilize very aptly for the domestic business and for specific thing and increase the publisher base, increase the overall growth and more important for us, for our other two businesses into which we are growing and entering into which is RAPPLESe-retailing we want the content of the publisher to come on board with us, we just want we have succeeded and we have acquired that. But like mentioned sometime back exports is something we are going to concentrate on and we are looking at it as a growth segment where large tenders are into place and which we are going to cater to and exports will continue but I am just saying we had taken a strategic decision to reduce it for this particular two or three quarters but in 15-16 we can see that there are opportunities and which will start growing into. As far as fixation into Africa is concerned I would not say fixation but that is where the opportunity is

there, the huge demand for books is there and that is something where we find that it is an exciting area to enter into. Currently as you know we are only about 22 African countries there are 52 countries into Africa so there is a good growth available in the countries in which we are into as well as the new countries but having said that we are also looking at the market which we have started relooking at it and as and when we progress I think we should be able to tell more about that.

Ashish Shah: Okay, thank you that is helpful. Mukesh some other questions if you can share some more details on this e-tailing, you spend quite some time in the presentation if you can give us some more details in terms of some traction or when do we see some traction happening and just one more important thing on the e-tailing if you can also help us understand what will be our value proposition to e-tailer compared to what he is getting right now if you can quantify that?

Pramod Khera: Mukesh I will take that?

Mukesh Dhruve: yes, Pramod.

Pramod Khera: If you look at this business, the growth of the e-tailers like Flipkart, Amazon, etc in the country have been quite phenomenal over the last couple of years. Now most of these e-commerce side for them books is one component of the sales. In fact many of them started with books and then they got into other products even Flipkart for them also today also books constitute almost 10% of the total sales. Now having said that if you look at intentionally how this model operates is the orders come to the e-commerce side and then they are fulfilled through print on demand, whereas in India what is happening is that when once this orders come to these e-commerce side the e-tailers pick up the book from the warehouses of the publishers and the send it to the customer, now this will take almost 7 to 10 days to fulfill the order. Unless the books are in stock and many time the publisher don't have books in stock which results in loss of sale. Whereas if you have a model which is supported by a print on demand facility like Repros then we can fulfill the orders within 24 hours, so why don't we have the relationship with the publishers and the content is lying with us. So that is the model we are trying to put into place and this model is working very-very well in the developed parts of the world whether it is US or Europe and there companies like Repro, are aggregating content from publishers and tying up with the e-commerce side and whenever the order comes these people print and they distribute it directly to the customer. Since we have good relationships with the publishers we have been working with them and we have access to the content, we have a content repositorywhere we are

storing the titles, is a question of just getting the right from them for doing up a print on demand from demand which is generated from the e-commerce side. So while we are using those titles now for RAPPLES for Ebooks similarly now we are also getting rights for printing them, distributing them and that is a big opportunity and the e-tailers see a lot of value in this because they first of all they will be able to fulfill the orders fast because in e-commerce nobody wants to wait for more than a day or two for the order to be delivered and secondly out of stock sort of situation will never happen which really enthuses the e-commerce sites and we are talking to all of them whether Flipkart, whether Amazon, whether it is Infibeam or any of these e-commerce sites and we are trying to put a structure in place these early days and we are testing the whole concept, we are doing proof of concept and very soon we should be able to see some traction on the ground as we go along.

Ashish Shah: That is quite helpful sir thank you very much. Sir just one question to Mukesh on the financials sir so sir for this quarter we see that the other income component is again fairly high so if you can throw some light on that?

Mukesh Dhruve: The FOREX, on the income side one of the components was as per our debtors policy we had written off some of the debts as per the policy and in keeping in mind the financial policy about what we are talking in exports we recovered dues those for which we had made a provision we have now brought it back in to the books in the past so that has been one of the major income.

Ashish Shah: Mukesh can you share that number on a nine month basis what would that be?

Mukesh Dhruve: I will be able to mail. I don't think they are in my hand right now but I will be able to share that with you definitely.

Ashish Shah: Thank you. And one last thing would you have the total debt number handy with you on a nine month basis?

Mukesh Dhruve: Yes. If we take the total debt it is 162 crores.

Moderator: Thank you. Next question is from the line of Rachita Agarwal from Kredent Advisors. Please go ahead.

Rachita Agarwal: I wanted to ask you about the development and acceptance of RAPPLES in terms of schools and tutorials in whatever is happening like how is it developing?

Pramod Khera: As far as RAPPLEs is concerned our focus is only schools , we are not looking at coaching classes as this stage we are not looking at higher education so over the last two years we have been working in this sector K12 and we have been doing pilot and we have been showcasing this solution in multiple school so as we have put with this one of the slides over here the first task was to get more and more publishers on board so that when we go to a school which ever books they are using will offer the same books to the school as e-books so that progressed quite well. We have majority of the publishers on board with us so which is around 40 which I think should able to cover almost 60-70% of the market. Then as far as schools are concerned see last quarter there was a quarter which was an exam quarter plus holidays Diwali and Christmas so we utilized that quarter to do lot of pilot and to start the discussion with schools so there would be anywhere between 20 to 40 schools were such an exercise has been done and this is a quarter four when we are looking at signing up the schools so that next academic year which starts in April in many schools and in June-July in some schools here in the West and South we will be able to initiate there, so as a result you have been one of the schools which we have already started in Bangalore which is a ZEE School . similarly there are some other schools which are in the process of starting up so we are seeing a good traction and going forward we should be able to, after couple of quarters we will able to start sharing with you the number of students, the number of schools and also revenue that we are getting from RAPPLES.

Rachita Agarwal: So presently how many schools have already adopted our RAPPLES?

Pramod Khera: There are close to 5-6 schools where this is running and may be around 400-500 students.

Rachita Agarwal: And all are in Delhi right?

Pramod Khera: They are in North not in Delhi but in the North.

Rachita Agarwal: Okay. And in this quarter we expect that we will be able to bag some orders because this is a crucial quarter because the starting of the session?

Pramod Khera: That is right.

Rachita Agarwal: Okay, sir. And sir there is no plans for launching the RAPPLES as a retail tablet on the size along with e-tailing, like merging both the e-tailing plan and the RAPPLES that we already have?

Pramod Khera: No, we have a site called Repro Cloud store where we are selling e-books but that we are not actually actively marketing it, it will be available to our RAPPLES students to directly buy books on the tablets from the site, Repro Cloud store so as we have more and more students switching over to the RAPPLES that will increase the captive base for selling the e-books directly.

Rachita Agarwal: Yes, that is the upgradation of the RAPPLEs that they will be getting from the schools or from the institutions that they are in right?

Pramod Khera: That is right. So as the number of children who are using RAPPLES in the schools keep on growing, in addition to the curriculum books which will be provided as part of RAPPLES they will have an opportunity to buy additional books and supplementary books on the Repro Cloud store.

Rachita Agarwal: Okay sir. So we are holding focus around the schools and institutions and we are not going on the retail way of like one or two RAPPLES fully loaded tablets on Flipkart or Amazon like that?

Pramod Khera: No we are not doing that because it is not just putting books on tablet and selling it, it is an entire ecosystem that we implement in the school whereby the whole education happens using technology, using tablet so in the class room there is interaction between teacher student and there is a back end LMS which tracks the progress of students so it is complete solution not just a product with a tablet and the e-books.

Rachita Agarwal: It will bring a revolution, revolution in the way the education is being done in the country.

Pramod Khera: Yes, that is right.

Moderator: Thank you. The next question is from the line of Rahul Bhansali who is an individual investor. Please go ahead.

Tushar Gemenis: Sir will our cost of debt go up because of the change in domestic and export?

Mukesh Dhruve: Not really, on the contrary if you have seen the presentation that I had sent to all of you the cost has gone down overall.

Tushar Gemenis: Yes, the total cost has gone down but the interest cost will that go up because I think we used to get cheaper debt for our exports, so will that.

Mukesh Dhruve: Not really, no we don't expect that to happen in fact if you have seen the finance cost has gone down from 3.65 crores to 2.23 crores so it has gone down and we don't expect it to go up.

Tushar Gemenis: Right sir. But I am talking about the short term working capital debt, so the cost of debt that is the interest cost.

Mukesh Dhruve: That is correct. I am saying that only that the interest cost will not go up it will go down it has gone down though the exports have been down you can see specifically that the cost have gone down from 3.65 crores to 2.3 crores and the interest-to-sales ratio is also gone down from 3.3% to 2.4%.

Tushar Gemenis: Okay sir. And sir we have capacity to generate around 600 to 650 crores of sales but since the last couple of year our sales have been at around 400 crores levels so do we plan to wait for the right kind of business to get where we get higher margins or are we looking to compensate on the margin a bit in and get more revenues so that our fixed cost gets covered?

Pramod Khera: What you are saying is correct we have a capacity to do more and the idea was to grow the business especially a domestic business and also grow our margins. So that we are able to show better EBITDA and that has profitability for the company as a whole. Now while the export business has come down this is going to increase as we go along it is going to improve plus the domestic business is also growing so very soon you will be finding that with business with higher margins we will be able get more and more revenues thereby we should be able to grow the revenues as well as margins in the coming years.

Tushar Gemenis: Understood sir. And sir finally how much revenues have we generated from the print on demand business for the nine months?

Mukesh Dhruve: The print on demand for the nine months is around 25 crores.

Tushar Gemenis: And in the last nine months can you give me that figure, last financial year of FY14?

Mukesh Dhruve: The previous year we have done about 12 crores.

Tushar Gemenis: Okay and sir the kind of margins that we get in the print on demand business is higher than in the normal printing business?

Mukesh Dhruve: That is correct if we look at EBITDA level it is about 30% in fact.

Tushar Gemenis: Okay, and what kind of receivables do we give to these customers in the print on demand business?

Mukesh Dhruve: Generally print on demand is between 30 to 45 days maximum it could extend to say 50 days not beyond 50 days. 30 to 45 day.

Moderator: I will move on to the next question that is from the line of Suresh VR from Tattva Group. Please go ahead.

Suresh VR: Sir with respect to e-tailing I am sure as far as early days but when you see this opportunity translating to revenues and how do you see the logistics do we have to invest in logistics as well?

Pramod Khera: See these are early days as we said and we are not going to invest in logistics or anything we will be tying up with partners. And as such we already are doing business of print on demand others were only a good logistic partner and as far as we are concerned we are going to deal more with the e-tailers themselves who in-turn will be doing the logistics part so we don't need to have and most of the e-tailer have logistics themselves.

Suresh VR: Sir when we look at RAPPLES business if you can give a brief on your expansion plans to South to take the first mover advantage.

Pramod Khera: As far as RAPPLE is concerned we started with a North and that is where we have expanded right now so the last six months we also put some people on the ground in the South especially in Bangalore and Hyderabad. So these are the two markets right now we are looking at and we have already one school which I talked about the ZEE School which is in Hosur in Bangalore where we started plus there are one two other schools where we have signed up in Bangalore and that should be starting by April, June. Similarly in Hyderabad also we have couple of schools in the pipeline so we have two market we are looking at and then getting into interiors of Karnataka mainly Bangalore and Mysore and to some extent Vijayawada Vizag so that is that we are focusing on right now.

Moderator: Thank you. The next question is from the line of Tushar Gemenis from Union KBC. Please go ahead.

Tushar Gemenis: Sir just want to know out of this 20% of exports the entire exports is for Africa?

Mukesh Dhruve: Yes I would say almost 95% except couple of shipments which would have gone to US.(+95%) is Africa only.

Tushar Gemenis: And historically sir have we ever written-off anything any receivables from Africa and more so in the recent past.

Mukesh Dhruve: We had a policy based on the time period of the over dues we make a provision in the books so which in the last two years we would have made provisions but having said that we have recovered most of it in the current year. But I would answer that overall at a macro level at any point of time I would say it would be in the range of about 1 to 1.5% of the business that we would be doing in those countries.

Tushar Gemenis: Okay. Another question on RAPPLES currently what are the sales RAPPLES is generating right now?

Pramod Khera: Right now the number of students are pretty low and the typically you will see that per student realization could be anywhere between Rs.200 to 500 per month depending upon the services that we are offering. So that should be the typical range of revenue that we can expect going forward.

Tushar Gemenis: And currently how many students must be there under RAPPLES?

Pramod Khera: It is less than 500 may be around 400 or so.

Tushar Gemenis: Okay. Another thing why our tax rate is low sir just a clarification on that.

Mukesh Dhruve: Our one of the units is in SEZ in Surat so for first five years there is zero tax, in the next five years 50% is taxable so we are in the second tranche of that 5 years.

Tushar Gemenis: Okay. With respect to your print on demand business it sounds very interesting but just wanted to know who else are our competitors in this particular line of business?

Mukesh Dhruve: In India I would say there is hardly any competition on print on demand business, one of the key reason being again which I explained earlier is the content and the entire facilities where we digitally warehouse the content we take care of the content and order which we get most of the times we are executing in less than 48 hours. So there are very few people and for publishers there real wealth is content and how can the content be taken care by a person whom they can trust.

Tushar Gemenis: Fair enough, but you are saying that there is nobody actually is on that scale like you can do it.

Mukesh Dhruve: That is correct the scale about we are talking, you will find small people will be doing hardly nominal thing at this range and with this kind of trust that we have hardly anybody in India is doing that. And our capacity if I have to explain to you is, if we get 30,000 different titles we can produce 30,000 different titles in a day, so that is the big differentiator.

Tushar Gemenis: Okay, and sir lastly this debt number that you gave 162 crores is gross on net?

Mukesh Dhruve: It is a gross.

Tushar Gemenis: And what would be net debt sir?

Mukesh Dhruve: That is net debt only, my mistake.

Tushar Gemenis: And just one final question, sir why the cloud store particular this application is only available for people who have enrolled for RAPPLEs why this strategy sir anything in particular which is stopping you from accessing the entire market?

Pramod Khera: Actually it is available to all even you can go to our website and buy a book, however, we are not promoting it as a standalone because that is a different business altogether and which requires a different sort of approach, different marketing we are not in that business.

Moderator: Thank you. Next question is from the line of Rahul Bhansali who is an individual investor. Please go ahead.

Rahul Bhansali: Sir my question was with regards to the print on demand business so will we see the share of print on demand business in the total revenues going higher for the next couple of years.

Mukesh Dhruve: Yes, that is correct we are seeing a good growth in that area.

Rahul Bhansali: So by that extension will we see an improvement in our EBITDA margins and a decrease in our debtors' days because of that, because we are having better margins on the print on demand?

Mukesh Dhruve: Definitely going forward that looks quite probable.

Rahul Bhansali: Okay and just finally one last question with regards to the working capital debt again, in the annual report it mentions that the working capital loans from banks are at an interest of 12 to 14% and with regards to exports here I am seeing that they carry in interest rate of 1.2% to 5% because we get the packing credit loan so since our exports have decreased do we not see a change in the cost of debt?

Mukesh Dhruve: We have seen that cost in the debt and that is what we have already accounted so if you see in the current quarter we have a interest cost of about 2.23 crores which is already taken in compare to the previous quarter it was 1.35 crores which has gone to 2.23 crores but with the growth in the domestic business we don't see that as a challenge. The point being that has already been factored into this. Once we start growing definitely those costs will come back that we are talking about.

Moderator: Thank you. Next question is from the line of Rohit Balakrishnan who is an individual investor. Please go ahead.

Rohit Balakrishnan: Sir in this printing business just wanted to understand are we only looking at educational books or we are looking at the overall gamut of books?

Pramod Khera: No, we are looking at overall gamut of books in fact it will be more of trade books and supplementary book rather than the core curriculum books. Because core curriculum books is more easy to predict the demand and they are more available for long run printing which is an offset printing whereas the other books which I mentioned the trade books as they are called, supplementary books, reference books, children book, and friction. These are books where it is difficult to predict the demand and these are more amenable for print on demand.

Rohit Balakrishnan: Sir the reason I am asking because given our focus on educational books I would understand that the publisher relations that we have will be more educational publishers so that is the reason but.

Pramod Khera: Yes, what you are saying is correct, now if you look at education also there are K12 and there is higher education. Now higher education again print on demand is better because books are never prescribed in college they are more reference books again it is difficult to predict the demand and many of the colleges they also have customized books saying that we will have only these 10 chapters out of the 13 chapters in the book so we want a book so which is very easy to do in print on demand. For higher education again it is suitable for print on demand having said that your point is valid but many of the education publishers they are also into other books, they are also into

supplementary books, reference books, dictionaries and some of them are also into fiction books. So while till now our focus has been on collecting and aggregating educational content, now we are moving towards also aggregating other contents so that we are able to offer through the e-tailer to the entire gamut of the books.

Rohit Balakrishnan: Got it. And sir you were mentioning that in the more developed economies like US and UK this is already in practice so can you share couple of names who would be our competitors, not competitors but who do something similar for like Amazon or somebody else?

Mukesh Dhruve: If you see Ingram is one of the largest aggregator of books then there somebody called Baker and Taylor so these are some names which are prevalent and which are large and there companies like Lighting Source and Books on Demand which are printing this types of books. Now many of these aggregators internationally are looking at partners globally so that they can service the entire global market and that is an opportunity for us to partner with some of them so more than a competition it will be more of cooperation with many of their large players who are already existing.

Rohit Balakrishnan: Got it and in which sort of a model it will be largely fixed cost for us right and not much of variable cost.

Mukesh Dhruve: Yes, the only variable cost is raw material which is the paper and the printing cost otherwise the major cost which is the infrastructure investments have already happened most of them we might have to enhance some of the equipments.

Rohit Balakrishnan: So sir would these for example for an Ingram or Baker and Taylor versus us do we have any sort of cost advantages versus them or it is not material in this business?

Mukesh Dhruve: In our market obviously we have a cost advantage if you have to print in India that is why they are looking and they are talking to us may be because we understand this market better than anybody and they would prefer to go with a local partner but the biggest advantage here is the access to content from the publisher while if we are able to if we are able to aggregate the content from most of the publishers in India that also opens up avenues for distributing this books globally and enhancing the business of those type of aggregators globally and enhancing the business of our local publisher. So these are some of the opportunities which will come our way as we grow in this market.

Rohit Balakrishnan: Got it. And sir in terms of incremental investments in this e-tailing business that we are looking at, are we looking at any incremental invest in terms of infrastructure or in terms of backhand logistics or may be integrating with the e-tailers in terms of going into that system, etc what sort of investments are we looking at?

Mukesh Dhruve: Like I mentioned most of the infrastructure is in place, however, yes we will have to enhance some of the equipment now for example we have a facility here in new Bombay with some minimal investment which we can turn it into a one books sort of a factory but, if we have to improve our offering to this e-tailer we might think of setting up a similar unit in North of India or South of India so those could be incremental investments in the future we don't know when but it depends on how fast the business scales up so it is early days but yes going forward when we make our plans for the next financial years we should have a better indication to the investment which will be required.

Rohit Balakrishnan: Got it. And one more question I don't know if this could be the right question but would you know like for e-tailer like a Flipkart or even Amazon in the lowest what percentage of their overall books demand would be like a long tale requirement which is what we would perhaps look at?

Mukesh Dhruve: There is data available and we have been working some of the data have been shared by the e-commerce competitor, however, we are under NDA with them so we cannot share it openly to the public so we are working with the data and what happens is that the bad titles typically today in India especially that market is getting lost because those books are not available in print. Now with this sort of a model that we are putting into place we can fulfill that demand so that is increased business which is not being reflected in the revenues today for any of these e-commerce companies. So that is one part of it and second part of it is stock out, even for front titles many a times the companies into a situation of stock out and they are not able to fulfill the demand because printing and all takes time. So apart from the current revenue that they are doing if we also include what is the lost business which is there then there would be a substantial increase in the existing section.

Rohit Balakrishnan: Got it, understood. And sir on this RAPPLES business just want to understand like the overall so I understand that we would provide a tablet where we would preload the content that we have in publishers but let say we go to a school what sort of enabling things that we do and what is our overall value proposition to them let say if we go to a Modern School Barahkhamba or a DPS RK Puram in Delhi or some school which has

a, any school for that matter what sort of, what is our value proportion what is our pitch to them?

Pramod Khera: In any such technology intervention the final value will be seen if there is an improvement in the learning outcome and in the performance of the students. So that is the ultimate end objective which was implementing this entire solution. So simple things like building interactivity between teachers and students putting in application for remedial learning and also enhanced learning resources the students can use to revive and to practice and to assess how much they have learned and which are the areas where they are weak and will help them improve their overall learning and make them perform better in examination and overall the benefit will accrued to them. So while the simple things are that in the class teachers will be able to push content, students tablet, the students will take the tablets home, they will be able to do collaborative project work with the students so these are some of the features which are building in and which the schools are seeing a lot of volume in.

Rohit Balakrishnan: Got it, so sir for all this view have to have some sort of a market infrastructure in terms of one would be if you are saying that on the side put content to read it should be enabled with Wi-Fi also our service should be able to look at adaptive learning, etc. So on that part what sort of investments are we looking at in terms of RAPPLES? On the infrastructure.

Pramod Khera:: You are right, most of investment for example last year you see there was almost around 10% of capacity on average and around 15 crores of OPEX total 25 crores was spend last year. Now the CAPEX primarily was has gone into setting up this part of infrastructure where we have a centralized data center over here which is connected to the servers in all the schools which pushes content, which takes backup and which is able to also monitor the progress of students so that is the type of investment which has been done. the increment investment in that is not going to be very substantial because the investment in the school is it server, or whether the Wi-Fi and whether it is tablet which is being paid for by the school and by the students.

Rohit Balakrishnan: Okay so this is included in the Rs.200 to Rs.500 fees when we are talking about?

Pramod Khera: Either that or that is being paid for separately by the schools.

Rohit Balakrishnan: Okay, got it and the expenses that we are talking about which is about 3 crores per quarter that we are just looking at in the last couple of quarters, well that is more OPEX right more sales and marketing.

Mukesh Dhruve: That is right yes.

Rohit Balakrishnan: Okay, so sir in this business like are you is like or what is sort of competition that you looking at there is one player called iProf which is doing something similar, NIIT was also trying to do something similar I don't know if they have got into this tablet space but overall like what is your view on competition?

Pramod Khera: Competition is from two or three different type of companies, one the hardware companies they want to sell the tablet so they try to take some content from some player and they bundle it with a tablet and give it to the school so that is one type of competition. Second type of competition coming from content companies like you say NIIT, Educomp which already had smart class sort of set up in school and they want to put their same content in schools. So third is content companies like publishers like Pearson, etc., Navneet, they said okay we will put our books on the tablets and give to the students, now these are types of people who are existing plus want to start up like iProf, etc., which are trying to go to the schools for tablets based solution, where we are coming from is slightly different, what we are saying is that we are not a content company, we are not a hardware company so our aim is not to sell tablets nor is it to sell content.We provide the schools with the content that they want so we are content aggregators and we have advantage over the rest of them like iProf, etc., because we already have existing relationship with the publishers and access to content which is very-very difficult to get from publisher because like Mukesh was mentioning for the publisher content is very-very important, the security of the content is very important and what they are scared of is piracy. We have adequate system and adequate infrastructure in place to give them the confidence and comfort because they have been dealing for last couple of decades and they have seen that yes we have never compromised as far as the content is concerned. So they are willing to give the content to us and that becomes the biggest advantage that we have in the market when we go to a school we say you tell us what books you want, you tell us what content you want and we will give you that.

Rohit Balakrishnan: Okay. And obviously there will be some royalty to the publishers right for every book.

Pramod Khera: It is like selling a book so depending upon number of tablets, number of copies that books is sold we will get paid for that.

Rohit Balakrishnan: And what would be our share of that?

Pramod Khera: There is a percentage sharing which is there and I would not like to disclose that however, the publishers also get a good margin because they don't have any printing cost, they don't have distribution cost and we also get a decent share.

Rohit Balakrishnan: Got it, and sir just last question, one is that we have this SEZ in Surat so when are these incentives getting over?

Mukesh Dhruve: Incentives as I mentioned they are there for 15 years, we started in 2008 so in 2013 we finished the first five year, the next five years up to 2018-19 we will get 50%, and after that we will get whatever we invest into the SEZ.

Rohit Balakrishnan: Got it, and this would not cater to the domestic market though right?

Mukesh Dhruve: It is SEZ so you are supposed to do exports from there but as long as your NFE is positive which is net fundearnings are positive you can domestic business also.

Rohit Balakrishnan: Got it and sir would it be possible to share the current receivables that we have in terms of the nine months what is the current receivables?

Pramod Khera: Current receivables are 160 crores altogether.

Rohit Balakrishnan: Okay. And would it be possible for you to share broadly how of this would have more than one number?

Mukesh Dhruve: I will be able to share it, I don't have it off-the-cup but I can send you an email just my email ide is available just send me a mail and I will response it to it specifically.

Rohit Balakrishnan: Cash flow from operations in the first nine months if you have that number as well.

Mukesh Dhruve: I don't have that number I will be able to mail you those numbers.

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

Ashish Shah: Just one small question on your balance sheet last year we were seeing reasonable amount of CAPEX spend that we have done, could you give us some guidance or current year what is your CAPEX guidance and how much is already spent?

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Pramod Khera: Yes, there is no great CAPEX plan but our routine CAPEX which we are planning currently we have done up to 10 crores as of now, for the five nine months up to 10 crores is what we have incurred.

Ashish Shah: Okay that is quite good.

Pramod Khera: In the last quarter there is nothing.

Ashish Shah: Okay, so for the entire year the CAPEX number will be out of 10 crores?

Pramod Khera: Yes, right now it will be 10 and maximum going up to 12.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to Mr. Mukesh Dhruve for his closing comments. Over to you sir.

Mukesh Dhruve: Good evening everybody thank you so much it has been a long-long con-call and I think Pramod has been answering a lot of RAPPLEs thanks you for all your questions. But I would like end by saying that 2015 looks to be a very exciting year for Repro and for the education market in India with the kind of growth opportunities that we can see for Repro not only in the education publishing market but in the two new areas which we expect to be very-very exciting in the times to come both e-retailing as well as the RAPPLES I think these are going to be very-very exciting times for the education segment as well all. Internationally also we see that a lot of books are going to be required all across and these are going to be good times 2015 looks to be an exciting and I look forward to meeting you in our next meet. Thank you very much everybody and have a nice evening ahead. Bye-bye.

Pramod Khera: Thank you everybody. Good evening.

Moderator: Thank you very much. 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.