



# “Repro India Limited Conference Call”

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**Moderator:** Ladies and gentlemen, Good Day and Welcome to the Repro India Limited 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. I would now like to hand the conference over to Mr. Mukesh Dhruve. Thank you and over to you, sir.

**Mukesh Dhruve:** Good evening all our Stakeholders, Ladies and Gentlemen, Welcome back to the con-call of Repro India and we truly appreciate your coming and attending this call. The results have already been in front of you and has been declared in the morning. As we have mentioned this is an exciting period for companies like Repro India and rather than wasting your time what I will do is hand it over to my colleague Dr. Pramod Khera, all of you know him already. So he will just quickly take you through what we have discussed for this quarter and what we can see the new and exciting areas for Repro India in the coming years. Lets forward to Pramod.

**Pramod Khera:** Yes, Good evening everybody this is Pramod Khera here. In addition to the results you must have got a presentation that we have sent across to you, this presentation is in the PDF format so if you can open that then I will take you through the presentation slide by slide and then we can like Mukesh said we can have questions from any of you if you want more information.

So the presentation is divided into five parts, or rather six parts, five parts of the strategy and the financial results. So first part is on Content Aggregation which I think was discussed and described in very good detail last quarter. However, I will just spend a couple of minutes to reiterate what we mean by content aggregation. We have our clients as the publishers as you are aware and they create content and the main business is to market that content, to sell that content. And we at Repro help the publishers do everything in between in terms of content adaptation, modification, enrichment, printing of books, fulfillment, etc. So there if you see the second slide, we are talking about is that in content aggregation while always we have talked about product reengineering, printing and fulfillment, the two big opportunities that we are seeing today, one of course we have over the last year or so we have been explaining what we are doing in the education phase through Rapples for providing books as e-Books on tablets, that is one opportunity that we are pursuing. And another very interesting opportunity which has come in is supplying books to the ecommerce channels, the ecommerce sites which are generating demand for books. As you are aware ecommerce is booming in India and a lot of the sales of books is happening in the ecommerce channel and we have arrangements with publishers whereby we have the content, once we aggregate the content with us we have the printing right. So whenever any ecommerce site like Amazon, Flipkart gets an order even for one copy we have this content in the Repository, we can print that one book and delivery it to the customer directly, so that is a e-Tail opportunity that we are talking of.

So if you look on the fifth slide where we have described the whole value chain for content aggregation, the heart of that is a Content Repository where the content is stored which we acquire from the publisher, we also help the publisher to create that content in some cases and

this Content Repository then supplies the content, the titles either to Rapples Pre-Loaded on Tablets or to the One Book Factory and once we get the orders from the e-Tail chains we can print those books and send and of course the red line is that is our traditional business of printing and product reengineering, print out demand, short-term, long run fulfillment services. So that is our entire value chain that we are talking off.

And as a service provider to these publishers, if you see our next slide we provide a gateway to the publishers for increased business. Now the same titles can be repurposed and can be disseminated for different business opportunities in the e-Tail segment, the global e-Tail or schools, printed books of our schools, e-Books or also in newer markets where publisher are not present, we can take their content to those markets like Africa, etc.

So each one of these I will just spend a couple of minutes to explain what is happening. So first, if you look at the Indian publishing industry, the next slide talks about what is the total overall market size, it is around 12,000 crores which is \$2 billion and out of which 40%, 4,800 crores is education curriculum books that we are talking about. Now because technology is having a major disruption on the publishing industry, now this disruption is on three fronts: One is on the sales process, second is on the production process, and third is on the product itself. So on the sale side what is happening is traditionally books are being sold through distributors, retailers and book stores that is changing and now that is moving to e-commerce side. So in between the entire supply chain is being reduced and the sale process is becoming much more efficient. The production process we are talking of the original way of printing where we used to use offset printing technique and which minimum number of copies had to be printed has been replaced by digital printing where it is possible to print even one book at a time. And the third disruption that we are talking about is on the product itself, so the product which used to be available as a printed book today is available as an e-book.

Now Repro is geared up on all these three fronts to take advantage of this disruption and to build business streams which can generate business for Repro and for publishers also. So if you see Repro's positioning, like I said Repro has been working with these publishers for more than two decades, we have got excellent relationships with these publishers because of which we are able to get content and aggregate content from them. We also have setup one book factory to service immediate demand from e-retail channels. Plus as far as the education Rapples initiative is concerned, over the last couple of years we have successfully implemented digital education in schools for all grades, all subjects right from class 1 to class 10 and in different curriculums like CBSE, ICSE, Maharashtra State Board, IGCSE, IB, etc, etc. So that is where we are in each of these areas. So if you look at Rapples specifically we are talking about providing an architecture inside the classroom for learning and also providing the content and the book to student for self learning. Now this has been successfully demonstrated and implemented in few schools which is shown in the next slide which I think unfortunately in the PDF presentation that we sent across to you their slide has not come properly. I will just talk about what the slide contains, it contains a structure for the Rapples implementation, but it also talks about around 10 odd schools where we have implemented this. We have currently

close to 1500 students in these 10 odd schools and these schools like I said earlier are from different boards CBSE, ICSE, Maharashtra State Board, etc. etc. and some of the schools are based in Mumbai like Poddar International School and the FE International School which is a Maharashtra State Board School, then we got a CBSE school in Bangalore and then we have RE School at Hosur plus there were a couple of schools in north. So overall there are around 10 to 12 schools where we implemented this, so that's a progress as far as Rapples is concerned.

The next slide which talks about e-fulfillment, like I mentioned earlier we are aggregating content from the publishers, now since and we have created market place on e-commerce channels like Amazon, Flipkart etc where we are selling these books. So Repro has created the market place, the next slide talks about the trial run rate we have done and over the last two to three weeks we have generated around 100 orders for these books from a couple of publishers whose books we have put up on the site to test our processes. So the back end is ready, we have successfully delivered these books and now we are in the process of getting more and more titles of different publishers, plus also putting these books on more and more e-commerce sites. In addition, we have been talking to a very large global content aggregator who has books from around 45,000 publishers globally, 12 million titles, we are talking to them, and we are at very advanced stage of signing up arrangement whereby we will get the rights to print those books for customers in India. Now as soon as it happens we will get close to a million titles into our Repository which are international global titles and which today are being imported at a very high price, plus the lead time for delivery of these books is three to four weeks. All that can be cut short by just one book factory once we have the content from this global aggregator. And once this arrangement with the global aggregator happens we will also be able to push the titles that we accumulate from the Indian publishers onto the global markets in a reciprocal arrangement with the same content aggregator. So that is what is happening on the e-Tail front.

Africa, exports like we had mentioned in the previous quarters of the con-call we are seeing some shoots of revival, we are seeing some growth happening which is reflected in the results also. We have executed a big order from the Government of Malawi and exports last quarter now constitute almost 45% of the sales as compared to 37% of sales in the same quarter previous year. So that is on the export front.

Domestic market, yes our strategy of offering full services, value added services to publishers it continues because of which we are entering into partnerships rather than transactional business with the publishers and we are tying in the publishers for their whole production for a full year so we get some visibility for the year and since we are offering more value for services our realization also is improving.

So with that I will just take you very-very quickly to the financial highlights. The first slide over there it gives the number as per the statutory format and as you can see the total income for the quarter is 116.81 crores and the net profit after all taxes is 2.41 crores or 241 lakhs.

Now the next slide, it gives you a comparison of this quarter vis-à-vis the same quarter previous year. I would just like to mention over here that our business is seasonal and that is why we would like to compare our business for like-to-like quarters rather than sequential quarters. Now if you look at the same quarter in the previous year, we are showing a 23% growth in revenues from 95 crores it has gone up to 116 crores, a 47% growth in export like I mentioned earlier from 35 Crores to 52 Crores and even domestic has grown around from 59.5 crores to almost 65 crores. There is a 38% growth in EBITDA before other income, that's an increase from 9 crores to 12.41 crores. As you can see the component of other income in the same quarter of the previous year was very high which is not there in this year and if you remove that then you are seeing a growth in the EBITDA. And if you remove the expenses of Rapples and other new initiatives, then that increase is from 11 crores to 16.65 crores. Now this improvement has also been achieved because of our lower raw material cost, the ratio of raw material cost to total income has come down from 52% to 50%. So this quarter we have provided for around 4.23 crores of expenses towards Rapples and e-Tail, the new initiative which have been written off from the P&L. So segment wise I already mentioned 45% exports in next slide and domestic is 55% and this is the comparison of the result in terms of PBT and PAT. And then the segment wise also we given sequential, sequentially now we are seeing better performance on export, 45% vis-à-vis 37% last quarter.

Then last couple of slides on the key financial indicators. The debtors, the debtors if you see the number of days is 164 compared to 158 last quarter. So there has been some improvement in the debtor for export but domestic debtors have increased slightly from 133 days to 141 days and this is primarily because June-July when the schools reopen that is when the publishers get the money from the schools and in July most of the debtors have been received in the month of July and August, so next quarter around the result you will see that the domestic debtors have come down. The order book as on 1st July is 33 crores compared to 28 crores same quarter, quarter to last year. Exports is showing 16 crores as opening order book and domestic 17 crores. So while we say that the order book last quarter was 59 crores which was pretty healthy, this quarter is lower at 33 crores but considering like I said the seasonality of our business this is pretty good has given the visibility for at least one month and going forward August, September when the season will start we will start getting more order from the domestic market.

Okay, the last slide, some indicators in terms of EBITDA. If you see the EBITDA in the last row before Rapples or before new initiative rather and less other income, 1665 in this quarter vis-à-vis 1141 same quarter last year on a turnover of 95 crores last year that was 12% EBITDA whereas this year it is 14.3%. Now if you look at the breakup between domestic and exports, domestic is 11.5% vis-à-vis 10.2% in last year and exports is 17.8% vis-à-vis 15.1% last year same quarter. If you compare sequential quarters, yes there is a dip in the margins because quarter one like I said is not our season and there since we have some buffer capacity we also take orders on Annual Reports etc where the margins are lower. However, overall if you compare this EBITDA margin to EBITDA margins of the same quarter last year there is a distinct improvement.

So that is all that we wanted to share with you as part of this presentation and now I get back to Mukesh to open up the conference call for questions from your side. Thank you very much.

**Moderator:** Thank you sir. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Jainil Jhaveri from J&J Holdings. Please go ahead.

**Jainil Jhaveri:** Basically, I just wanted to know that in terms of Rapples and the e-Tail expenses, how many more quarters of expenses do we still expect?

**Pramod Khera:** Yes, see this is the investment phase for both these businesses and as we go along we should be having anywhere between 4 crores to 5 crores of these expenses every quarter at least for the next 12 to 18 months, so that is what we could see.

**Jainil Jhaveri:** Okay, so about 4 crores, 5 crores of expenses for the next 12 to 18 months, so four to six quarters. And what about when can we actually start seeing tangible sales coming in from either e-Tail or Rapple?

**Pramod Khera:** Yes, see as far as e-Tail is concerned we will see the revenues coming in much earlier, in fact like I said some trial runs have already happened, we already sold few 100 odd books and as we start adding more and more titles this should start picking up, so next quarter onwards we should start seeing some sales happening, though not very-very significant to they make an impact on the overall top-line, but going forward that will start increasing. And similarly on the Rapples side also we have close to 1500 students and these are all fee paying students and as we start growing this by the end of this year we should have some amount of revenues coming in from Rapples too. But like said, they would not constitute a very significant proportion of the total revenues, but going forward in the next financial year they should start becoming substantial.

**Jainil Jhaveri:** Sir no, I am just trying to calculate, so you have spent about two years now of about 14 crores and 10 crores in 2014, sir about 25 crores in terms of Rapples and e-Tail so far, 25 crores to 30 crores, so what was the initial expected pay back in terms of when this project was all thought out and has that timeline kind of slipped?

**Pramod Khera:** No, so as far as e-Tail is concerned we have just started on this from two quarters or three quarters, so that is a very-very new initiative and Rapples is what we have been doing for last two years. And like I said as far as Rapples is concerned we are seeing successful implementations on the ground which since we have now successfully implemented for all the different boards these schools are being made into some sort of showcase schools which should help us now to penetrate much, much faster into other schools because this has been a new concept and now the schools have started accepting it plus as a drive from all quarters that the weight of the bag for the student should be reduced and this is only way that can be done. And since we have a lead start over a lot of people where we have the books with us we are quite bullish about this potential years for Rapples.

- Jainil Jhaveri:** And for Rapples, how does the revenue come in, is it per student, is it per school, how does this work?
- Pramod Khera:** It is calculated on a per-student basis, however we get one cheque from the school.
- Jainil Jhaveri:** So we do not have to actually deal with the student per se, means we do not have to wait for them to pay us money, it is the school that will pay us money?
- Pramod Khera:** So, that is right.
- Jainil Jhaveri:** So in that way we are kind of shielded, we are not running behind many people to get money back?
- Pramod Khera:** Exactly, yes.
- Jainil Jhaveri:** And as soon as you get one student in the loop, sir my understanding is that you have to give them your tablet or whatever, that is the expense?
- Pramod Khera:** No, see the thing is that the three components of expense, one is the hardware which is required to be put up in the school, the projector and server which the school typically does it or they normally have that type of infrastructure already in place. The second is a tablet which the students buy upfront. The third is the books and the services which we charge on an annuity basis and which is typically paid by the students as part of the term fees thrice a year.
- Jainil Jhaveri:** So in terms of the hardware the school buys it and how much of an expense is that approximately?
- Pramod Khera:** It is around 3 lakhs to 5 lakhs per school for the central hardware and then around 50,000 per classroom for the projector, but like I said most of the schools already have that infrastructure in place.
- Jainil Jhaveri:** And then the tablet itself is an expense but it does not go through our P&L or anything, we just tell them which particular model to buy and then they go and buy it?
- Pramod Khera:** Correct, yes.
- Jainil Jhaveri:** So it does not at all go through as part of our services or anything, right?
- Pramod Khera:** No, it does not.
- Jainil Jhaveri:** And in terms of services, what is it that we are approximately charging per student?
- Pramod Khera:** See we also include the cost of books as part of the services, so it depends on what type of books we are using and what publishers, etc how many books they have plus also the

additional content that we provide and a number of students in the school. So it could vary anywhere from Rs.300 to Rs.600 per student per month.

**Jainil Jhaveri:** And so your anticipation is that now since the school year has already started I would expect no new schools are going to join in this year, correct?

**Pramod Khera:** No, it is not like that. See these schools that we started where we have around 1500 students, actually we have not yet implemented in the full school and right now we are progressing and we are adding more and more standards, number of student in these schools itself, so that's the way some schools have started implementing saying that we will start with standard 6 and then add 7th and 8th and 9th, like that. So that is one way in which the number of students would increase. And second is some more schools that would start saying let's start with one grade and so as we go along we will add more grades so the number of schools also should increase. And typically what happens is January, February, March is the quarter in which most of these several decisions get taken by the school so that the next academic year when we start there would be larger number of schools and students which will be taking this up.

**Moderator:** Thank you. Mr. Jhaveri you can continue with your question sir, there is no one in queue presently.

**Jainil Jhaveri:** So basically another set of questions what I had was that how is the old business going and where do you see, I mean what is the kind of growth rate in that and how do you see that progressing?

**Pramod Khera:** See the print business like you see this quarter compared to the same quarter previous year if you compare that it is a 23% growth in revenues from 95 crores to 116 crores. Now domestic has grown and also exports which was going through a difficult phase has revived and that also has grown. So going forward domestic definitely we should be able to sustain some of the growth that we have been showing over the last two years in fact. And exports where we had seen a downturn, we are seeing a revival. Many of the things which talked about last quarter which were affecting the sales in Western Africa specially in Nigeria, etc, though the conditions have now been mitigated, so let's see going forward we should see good business coming in from exports too.

**Jainil Jhaveri:** But do you feel like this 15% to 20% kind of quarter-on-quarter is possible or is this one of those off-quarter where you got some project benefit or something like that or few benefits you got together and that is why it is showing such a bump in the top-line?

**Pramod Khera:** I have shared with you the opening order book, I have shared with you the trend in the EBITDA margins and like I said in terms of the macro economic conditions prevailing in terms of major market where we are operating, the change also positive trend that we have seen. Beyond that we do not give any future guidance so I would not like to really comment on the growth that we expect in the coming quarters.



**Jainil Jhaveri:** In terms of the e-Tail business, I mean what kind of sales or any kind of projections that you have because I would assume that this is a big kind of an opportunity.

**Pramod Khera:** Yes, you are right. See, the whole point is that if you look at globally how this works, most of the retail sales are happening through ecommerce sites in the US etc, and the book shops, the physical brick and mortar book shops have closed down. So the same trend we are seeing in India, in fact internationally now hardly 10% of the sales happen through brick and mortar sort of stores. Now in India also the same trend we are seeing and more and more sales are going to happen online. Now online the expectation of any customer is that they should be able to see a wide choice of products from which they buy and they should get instant gratification and the product should get delivered within say 24 hours or 48 hours. Now large number of publishers they have got billions of titles, we estimate that in India there are 16000 publishers and there could be around 4 million titles and if we get access to all that content we would aggregate that content, put it up on the websites. 4 million titles available for viewers to see and choose from, obviously nobody can print and stock those books, because nobody can forecast the demand. So the only way that demand can be fulfilled is through a one book factory that we have set up here in India. And only way to kind of fulfill this is by somebody who has rights for printing those books form the publisher which we have. So we are positioned quite well now to take full advantage of this shift which is happening in the industry and we are moving very-very fast so that we are able to get more and more titles in the Repository. We are setting up a state of the art one book factory outside Mumbai in Bhiwandi which should get operational from October. Plus, like I said the tie-up with a global distributor also we should be able to close by the end of this quarter and get close to a million title from there. So we are quite hopeful that we should be able to capture a large market on the ecommerce space.

**Jainil Jhaveri:** So but the plan that you just mentioned, what kind of capacity, how many books can be print in a day?

**Pramod Khera:** We would be able to print... Okay, I will tell you, I have some calculations, just give me a second. Any other question you have in the meantime?

**Jainil Jhaveri:** No, no just regarding the new plant... Okay, I guess my another part of the question was that what kind of margins can we make out of this business or book sales and how will it get accounted for, so does it count as a sale of the whole book or how much of we get from the Flipkart or the Amazon is that what is going to come in our revenues, how is the accounting going to work for this particular line of business?

**Pramod Khera:** See, I will tell you. The facilities that you are talking about in Bhiwandi would have capacity to print around 8000 books per day, so on an average selling price of a book would be around Rs.300 which should come to around 24 lakhs per day. And obviously what we would get is the printing and hosting etc, maybe 30-35%.

**Jainil Jhaveri:** So one-third is basically the printing and fulfilling cost?

- Pramod Khera:** Yes. I mean it could vary from publisher to publisher and book to book but it could be anywhere between say 25% to 40%.
- Jainil Jhaveri:** And so that is the only part of the revenue that you will get on your P&L in terms of the revenue line?
- Pramod Khera:** Yes, but the invoicing will happen from our side because we have created market place from the ecommerce side.
- Jainil Jhaveri:** So say supposing a book is 100 bucks, so what comes in your revenue?
- Pramod Khera:** So like I said we will be invoicing the customer directly.
- Jainil Jhaveri:** Okay. And then in terms of other... So this particular facility for 8000 books a day, how much did it cost us in total?
- Pramod Khera:** Of the investment around 8 crores to 10 crores.
- Jainil Jhaveri:** And this particular area whatever is quite scalable, like how much can we go up till say 8000 books is not enough then what happens?
- Pramod Khera:** Yes we can scale up, we can set up similar facilities in say other parts of the country.
- Jainil Jhaveri:** Okay. So not anymore in this particular Bhiwandi plant?
- Pramod Khera:** See the whole idea is that how soon can we service the customer.
- Jainil Jhaveri:** So there is no point of also putting it over here, you want to go to the other metros or wherever the books are actually being bought?
- Pramod Khera:** Correct, that makes more sense.
- Jainil Jhaveri:** So I am sure you all must have done some kind of calculation, so what is the expected rate of return that you from this particular line of business or even, how many years till payback?
- Pramod Khera:** It is too early to talk about that, like I said it is a new business and while we have studied the model internationally, we have some models in place but I guess when the right time comes we would be able to share that with you.
- Jainil Jhaveri:** And who in terms of competition, is there anybody else who is doing the same thing?
- Pramod Khera:** Well, like I said the crux here is the printing rights from publishers which we have right now and the one book factory which I do not think there is any other such facility existing in the country today, but not ruling out the possibility of somebody coming in later on, but getting

the rights from publishers is what we have our assets over the last couple of decades as we built up the relationship which is paying out.

**Jainil Jhaveri:** And are you planning on having your own website which also takes in orders and fulfilling them yourself, will it onebookfactory.com or something?

**Pramod Khera:** Yes, we already have something called Repro Cloud Store, though we are not actively marketing it but tomorrow once we have reached a critical mass in terms of number of titles etc and business.

**Jainil Jhaveri:** So that is just like maybe like I can just order a book or whatever, instead of you going through a Flipkart or Amazon?

**Pramod Khera:** Correct, yes.

**Jainil Jhaveri:** It sounds interesting, so just waiting to... So I guess your assumption is Q3 of this year we should start seeing better numbers and more clarity or Q4 in this particular line of business?

**Pramod Khera:** To start seeing numbers.

**Jainil Jhaveri:** In Q3, Q4?

**Pramod Khera:** Yes.

**Jainil Jhaveri:** And by that time you will also have an update on how many books, the deal that you are talking about more titles in your library I guess?

**Pramod Khera:** Yes, correct.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir on this numbers only I wanted to understand on e-Tailing that you talk about, we can print about 8000 book a day right with a average price of about Rs.300?

**Pramod Khera:** Yes.

**Deepak Poddar:** So basically that means about 24 lakhs a day and our share might be about 25% to 40% which might come to about 729 lakhs kind of number per day, if I annualize it that comes to about 26 crores, 27 crores. So that is the peak revenue that we can do from this, so how does that work then?

**Pramod Khera:** That is one facility, like I said we can add capacity, we can set up more facilities depending on the demand generated.

- Deepak Poddar:** So currently we have only one facility, right?
- Pramod Khara:** Starting with one but to set up a new facility like this would take around two months.
- Deepak Poddar:** So if you want to make another facility it will take only about two months?
- Pramod Khara:** Yes.
- Deepak Poddar:** So on basically on three to five years if you want to take an outlook, so where do you see this Rapples and e-Tailing business to grow to, so what size are you look at on that time horizon, if some color you can give?
- Mukesh Dhruve:** Yes, so we are talking about Repro becoming a Content Aggregator and like we said 16000 publishers in India, approximately there would be having around 4 million titles, so if you are able to aggregate that then we are able to get the rights for printing, then it's anybody's guess is to what businesses we can generate in e-Tail as well as a Rapples side.
- Deepak Poddar:** But some sense like for example currently we are at about 400 crores revenue, majority would be from our printing of books, but going forward I think Rapples and e-tailing will see higher growth for you, right?
- Mukesh Dhruve:** Yes.
- Deepak Poddar:** So how will that pan out next three to five years, if some sense you might be thinking on what lines?
- Pramod Khara:** Yes, we have some internal plans but like I said we do not give any future guidance so we would not like to really put a number on it.
- Moderator:** Thank you. Our next question is from the line of Ashish Shah from Budhrani Finance. Please go ahead.
- Ashish Shah:** Sir just some sense on, you did speak about this thing earlier but how is the outlook on the export side of the business, we are seeing some stability over there, so does it give you more confidence and you are more constructive over the next few quarters over there or...?
- Pramod Khara:** See, like I mentioned we have seen this previous quarter better revenues from exports compared to the same quarter last year, also sequential quarters. Now some of these have come through large contracts that we got from Malawi, etc. Last quarter in a conference call we talked about a situation in Nigeria in Western Africa, it has impacted business. Like I said most of those conditions are not there, the new government in place, we are waiting for the Education Minister to take charge so that then we can start pushing the education agenda in the country. And last year since the government did not spend anything on books in Nigeria, expect that this year should be better but like I said it all depends on.... So we have seen

positive signals, we are seeing good order book also coming in and we are hopeful that we should be able to see a revival in exports.

**Ashish Shah:** And sir can you give us a little more clarity on this tie-ups with e-Tailers?

**Pramod Khara:** See the e-Tailers what happens is that in the country today as per the laws in India any seller can go to any of the e-tailer and set up a market place. So we have set up a market place for Repro on Amazon, on Flipkart, on Paytm. So we are selling books on these sites and there are 30, 40 such ecommerce sites in our country which sell books so one by one we will be heading all these sites and we will be putting up the books for sale on the ecommerce sites. And like I said today there are a couple of publishers from whom we have taken the books and put them up on Amazon and Flipkart, as we keep adding more and more titles the number of publishers putting those titles on these e-commerce sites, that is how this whole thing will be growing.

**Ashish Shah:** And sir in terms of size and titles, where are we today and where can we be in the next 12 months, 18 months or two years, you gave a number like there are 30, 40 such sites.

**Pramod Khara:** So sites we will want to get on to each and every of these sites as soon as possible which will happen very-very fast. In terms of accumulation of titles like I said once we tie-up with that international aggregator will get close to a million international titles in our Repository. And as far as the domestic publishers are concerned, I want to get all the 4 million titles as soon as possible, let's see how soon I can do that.

**Ashish Shah:** Sure. And sir just one thing for Mukesh bhai sir, we had this finance cost this quarter and there was some FX loss over there, can you just help me understand what was that sir?

**Mukesh Dhruve:** Yes, I think Ashish the answer is Note #3 in the results, even I think the finance was inclusive, it was some 178 lakhs for the quarter ended, and 16.15 lakhs for the quarter ended March 31<sup>st</sup>, 2015 as compared to nil so the quarter ended June 30<sup>th</sup>, 2014. So these 230.15 lakhs, for the year ended March 31, 2015 I think form foreign currency borrowings to the extent of adjustment to interest cost as defined in paragraph in 4E of AS-16 borrowing cost. So basically this is a notional interest cost which the FOREX part of that has to come into P&L.

**Ashish Shah:** Well, this is on a dollar denominated loans, is it?

**Mukesh Dhruve:** That is correct.

**Ashish Shah:** But sir just trying to understand, between April and June did we have any FX volatility for which we had to have a hit to this extent?

**Mukesh Dhruve:** We have the normal forward contract for the receipts that we get. So for example whatever business that I book and all that in this quarter I am going to get those money so I do a forward contract for that, so the fluctuation between what I have booked and what I get physically.

- Ashish Shah:** And sir just one book keeping number, sir any CAPEX number that you have for current year?
- Pramod Khara:** Yes, so this quarter we have covered CAPEX, around 1.37 crores is the CAPEX in the quarter and overall we are looking at around 7.8 crores of CAPEX half of it maintenance CAPEX and other half would be on some additional equipment.
- Moderator:** Thank you. The next question is from the line of Saurabh Dinodia from Stewart & Mackertich.
- Saurabh Dinodia:** Sir I would like to get some color on the amount of expense you have been made on Rapples for the last two years, what is the broad heads under which these expenses are made?
- Pramod Khara:** Yes, so last two years it was around 22 crores, and the broad heads would be of course one would be salaries and second is marketing expenses and third travel etc and business promotion so it is more of those type of expenses that we have incurred and some costs of conversion of books into e-Books and enrichment with content, so on IT side there is a bit of expenses.
- Saurabh Dinodia:** And sir I would like to get some more clarity on how this Rapple thing works? If some student is getting enrolled in this Rapple program than the tablet will be provided by Repro or that has to be purchased by an approved vendor of the company?
- Pramod Khara:** Yes, so we have a list of tablets on which our solution can work, so these are for Android, for iOS, for Windows platform and the sudden capacity that is required, certain memory that is required, so we have the specifications, we give to school. And then the schools tells the student to procure this and if required we also can bring in these vendors or these company which sell this hardware and put them in touch with the school and they can negotiate the deal and they can buy the hardware from them.
- Saurabh Dinodia:** Okay. And sir what kind of after sales services do we have for this?
- Pramod Khara:** This is entirely between the school and the hardware provider.
- Saurabh Dinodia:** And sir one more thing, how much business have we done in the quarter for Print-on-Demand segment?
- Pramod Khara:** Print-on-Demand would be around 5.3 crores.
- Saurabh Dinodia:** And one can assume a similar kind of a run rate going forward or...?
- Pramod Khara:** Yes, in fact they should increase also.
- Moderator:** Thank you. The next question is from the line of Suresh VR who is an Individual Investor. Please go ahead.

- Suresh VR:** Sir my first question is regarding, you were mentioning the publishing rights which we get from publishers, just wanted to check what is the general duration for all these rights, will it be renewed every year or how it happens?
- Pramod Khera:** Yes, they are not publishing right they are printing rights. And typically we have agreements which are five year agreements.
- Suresh VR:** And based on the relationships these five year terms get renewed later on?
- Pramod Khera:** Yes.
- Suresh VR:** So second question was, it was actually very exciting to know that you are trying to get domestic 4 million titles as soon as possible. Just want to check, how many titles do we have at the moment sir?
- Pramod Khera:** See we have titles from different publishers right now for different purposes, like for example for our normal print business we would have more than 10,000 titles, for Rapples we have created a catalog of around 12,000 to 15,000 titles. Now similarly now we are acquiring rights from the publishers for the one book printing for the e-Tail and like I mentioned to you we have, already we started off this business around three to four months back and we started tying up the publishers. We have books from two or three publishers already listed on the ecommerce site, by end of this quarter we will definitely have another 15-20 publishers with whatever titles they have on board and then got plans for ramping it up further if we want to.
- Suresh VR:** So just trying to understand sir, you said we have a facility right now to print 8000 books per day and similarly we have started acquiring more titles for e-Tailing opportunity also. Still trying to understand why we are not, because the facility already is in place and titles already in place, we are waiting for something else?
- Pramod Khera:** Like I said, the facility for one book printing is what I am talking about which will have the 8000 capacity per day. Now we have to acquire those titles from the publishers, enter into agreement and put them up on the ecommerce site for selling, so that is a process which is going on right now. And as and when we keep on adding more and more titles the sales will keep on increasing and the facility will start printing more and more books.
- Suresh VR:** Sir my next question is on the export side, I think before here we faced little concerns on the collection from the tax collection perspective, with the exports now again going up how do we see that, how do we tackle that concern?
- Pramod Khera:** There also if you look at the last slide which I have put up, second last slide on the debtors we are talking about concerned debtors from exports which have been reported to ECGC, so ECGC shows cover which we have. Now because of that our debtors are protected, in the

sense that we will get the money they are delayed, but we will get the money. So all our exports are as if they are under LC or they are protected in the ECGC.

**Suresh VR:** Sir my last question is on the Rapples center, just want to check sir we are getting hardware from another provider so will our use be the right to title alone or will we be adding some other value additions apart from the right to title?

**Pramod Khera:** Sorry, I did not understand the question.

**Suresh VR:** I was asking with respect to Rapples business, we have been getting the hardware from another provider and so I am just trying to understand what will our use be with respect to this business, having the right to title is that...

**Pramod Khera:** Right, so one is the books, right from the publishers to give their e-Books to the school. Now we go to a school and we tell the school that whatever printed books you are using today the same books will give you e-Books and we also give other multi-media content like videos, animation, etc which can make the learning more interesting. Plus, the student and teachers get established with a pre-loaded content with the books and content and the local WiFi in the classroom where the teachers and students they start interacting with each other and they can conduct test online, they can share content with each other, they can submit assignments and there are marks which are generated which can be viewed and reports can be sent to parents. It is entire ecosystem that we implement in the school.

**Moderator:** Thank you. The next question is from the line of Rahul Bhansali, an Individual Investor. Please go ahead.

**Rahul Bhansali:** Sir the exports from Q4 FY15 has grown from 36 crores to 52 crores, yet our margins have actually come down by about 1%, so why is that so because I would have thought that since our sales is higher than the fixed cost would get covered more?

**Pramod Khera:** Yes, so like I explained to you the reduction in margin if you see overall EBITDA this quarter is 11% compared to 12% last quarter. But this is like I said you need to compare with the same quarter previous year, we did 16%. Now that quarter if you see other income was very high, almost 6 crores was other income which is not related to the business. If you remove that and just look at the income from businesses and then if you compare the EBITDA before other income it is 9.5% in that quarter and 10.6% in this quarter, so this is the growth.

**Rahul Bhansali:** Correct, but this 17.8% export margin, so does that include the other income on exports or that does not include?

**Pramod Khera:** It does not include.



- Rahul Bhansali:** So my question was that if we compare it from Q4 FY15 to Q1FY16, some margins have actually gone down by 1%, here the sales have actually grown by 45%, so why is there a difference just in terms of exports?
- Pramod Khara:** So if you look at the composition or the business that we got in the last quarter in exports, that was more of the government contract from Malawi, now government contracts typically since you bid these the margins are lower from the contract that you get from private publishers.
- Rahul Bhansali:** So going forward we are looking to get some more such contracts or we will be going to the publishers directly?
- Pramod Khara:** Our business model is to work with publishers that is what is going to increase in the coming quarters.
- Rahul Bhansali:** And just one last question, the increase in the other expense for this quarter, see you have given a breakup so this increase in freight and forwarding expense from 4.6 crores to 9.3 crores, is that a one-off or was there some particular reason for this increase?
- Pramod Khara:** Yes, this is a one-off. See like I said in Africa, one large order we had got from Malawi government for actually printing and distributing the books right up to the school and that is where the major freight and forwarding expenses were incurred which of course was billed and recovered the money, but so that goes as part of other expenses.
- Rahul Bhansali:** So sir going forward our other expense as a percentage of sales is likely to go down compared to this quarter, is it?
- Pramod Khara:** Yes, it depends on the type of business that we are doing, Malawi business was where we executed where a lot of freight charges were incurred because we had to reach the books right up to the school.
- Moderator:** Thank you. We have a follow-up question from the line of Jainil Jhaveri from J&J Holdings. Please go ahead.
- Jainil Jhaveri:** Basically I just wanted to know what is this e-Tailing opportunity, so I guess my question is how many books do Flipkart and Amazon and these other 30 e-Tailers sell per day or per month, per year?
- Pramod Khara:** See the e-Tail industry the way it is evolving, every month there is something new which happens. So it is very difficult to really say when they started off for example Flipkart etc, 10% of their sales were used to be from books, now that ratio turns out... A large amount of sales is happening which is related to books. Now what proportion is that and how it is growing etc is very difficult for us to really comment on that, but like I said most of the retail sales in books which is happening through book stores is shifting to ecommerce channels.

- Jainil Jhaveri:** Okay. But do we even have a fix, like is it like 100 crores sales from these 30 e-tailers would be 500 crores, a 1000 crores, how much has moved to e-Tailing from retailing?
- Pramod Khera:** Our estimate is that almost 10% has moved.
- Jainil Jhaveri:** So how much was it before and what is the 10% now?
- Pramod Khera:** See the total market like I said in India is 12000 crores.
- Jainil Jhaveri:** Okay, so that's what you meant, so about 1200 crores is from e-Tail now?
- Pramod Khera:** That is our estimate, we do not know.
- Jainil Jhaveri:** Approximate?
- Pramod Khera:** Yes, approximately.
- Jainil Jhaveri:** And so now they basically warehouse all these books, they buy it themselves, they warehouse it and then they sell it or how does it work currently?
- Pramod Khera:** Currently it works in two or three different ways, one is like you said that they buy it, they stock and they deliver it or they parcel orders to publishers and publishers stock it and from the inventories they fulfill it. International titles they import it, it takes three or four weeks and then they deliver it.
- Jainil Jhaveri:** So actually this is a scenario which would be helpful to both the publisher and the e-Tailer?
- Pramod Khera:** Correct, and the reader of course.
- Jainil Jhaveri:** Yes, yes because you will be closer to him and you will be able to ship it out much faster.
- Pramod Khera:** Correct.
- Jainil Jhaveri:** So then do you not feel like you need more like these are metros or something, if it is two months to start a new facility do you not want to, or you are trying to do this in a staggered way so that you want to see how good it is going and...?
- Pramod Khera:** You are right, in fact it all depends on how soon we are able to ramp up in terms of acquisition or titles from publishers who put them up for selling. As more and more titles we are able to put them up we will need more capacities for printing. And once we get experience as to where the demand is coming from, which part of the country then we would like to explore putting up a facility in that part of the country rather enhancing the capacity in Mumbai only.
- Jainil Jhaveri:** So that said, then what kind of debt levels are you comfortable at, what is it currently?

- Mukesh Dhruve:** The working capital loan is at about 171 crores, debt is at about 45 crores.
- Jainil Jhaveri:** Long-term debt is 45 crores?
- Mukesh Dhruve:** Total is about 217 crores.
- Jainil Jhaveri:** And what kind of debt levels would you comfortable with?
- Mukesh Dhruve:** Yes, I mean ideally we would like to be down to about 170-175.
- Jainil Jhaveri:** So do you feel like this year, you said that you were going to do 13 crores to 14 crores worth of CAPEX this year, right?
- Pramod Khera:** Around 20 crores.
- Mukesh Dhruve:** Around 20 crores out of which 10 crores will be the routine maintenance CAPEX and 10 will be the new CAPEX.
- Jainil Jhaveri:** So your debt would go up a little bit more this year also, correct?
- Mukesh Dhruve:** Not necessarily because most of the CAPEX will be met from internal generations.
- Jainil Jhaveri:** So would you be needing to raise money going forward?
- Pramod Khera:** See at this stage we are funding all our plans from internal accruals and so that way there is no need for us to really raise money, however depending up on how the new businesses pan out and like you were asking or somebody else was asking that if you were to set up facilities, increase the capacity for e-Tail, suppose we reach a situation where you need to set up 100 such facilities then we can look at all possibilities.
- Jainil Jhaveri:** One more thing I was seeing, in the shareholding pattern this quarter there is a sharp reduction in the promoter shareholding.
- Pramod Khera:** Yes, so we had explained that in the previous con-call where there were some investors who wanted to take up stakes and these investors have been allotted shares from the promoters quota and they are basically educational funds MIT, Washington University and University of Notre Dame, so they have taken a strategic stake. And since they wanted to acquire this stake fast and without going to the route of actually adding additional equity in the company the promoters have offloaded their share and that's how the promoter shareholding has come down.
- Jainil Jhaveri:** So they have taken 6%, because the FII holding is only showing 3%?
- Pramod Khera:** They have taken 4.96%.

- Jainil Jhaveri:** But the Foreign Institutional Investors are showing only 3.65%.
- Pramod Khera:** I am not aware of that, but 4.96%, .541 lakhs shares is what these three universities have undertaken.
- Jainil Jhaveri:** So there the universities themselves have taken this, like the funds of the universities have taken this?
- Pramod Khera:** Correct, the endowment fund of these universities.
- Jainil Jhaveri:** So they are like those long-term kind of holders right of this equity?
- Pramod Khera:** That's right.
- Jainil Jhaveri:** And it is kind of weird that when you have such an opportunity going forward and when you see the promoter stake go down that means it kind of gives a wrong impression to the other shareholders that in one side we are talking about opportunity and the other side the stake reduces.
- Pramod Khera:** No, see the whole idea was that these are strategic investors who can bring value to the company and they are university funds and when they saw our education play they liked our play and they wanted to be part of that. Now the only way we are going to bring them in was through this route, so we said okay and let's see how they bring value to our business going forward.
- Moderator:** Thank you. The next question is from the line of Rohan Balakrishnan , an Individual Investor. Please go ahead.
- Rohan Balakrishnan:** Sir just wanted to understand, if you can give the EBITDA margins in our legacy business on the domestic side, if you can broadly give that?
- Pramod Khera:** For this quarter it is 11.5%.
- Rohan Balakrishnan:** And for FY15 if you can share if you have that number handy?
- Pramod Khera:** Yes, see same quarter last year was 14.2 %.
- Rohan Balakrishnan:** And for the entire FY15?
- Pramod Khera:** Entire FY15 was... I do not have that figure.
- Rohan Balakrishnan:** Not an issue, broadly what I wanted to understand is that I think couple of calls earlier you had broadly introduced a strategy of providing a value added services beyond just pure printing and you mentioned that there would be an upward margin trajectory because of that, so I just

wanted to get that, that's helpful. Second question was, a lot has been talked about the e-Tailing opportunity, so I just wanted to understand the economics on that front, you mentioned during the call answering to somebody saying that you would be invoicing the customers because you would be shipping it out from your warehouse, so how does the understanding work with these e-Tailers and then with the publishers, if you can broadly provide some color on that?

**Pramod Khera:** Yes, so we have an arrangement with the e-Tailers saying that if this is an MRP at which the book is being sold this is what they will get their share, this is what the publishers will look at and this is what we will get. So this is a three way sharing of the revenues.

**Rohan Balakrishnan:** And any indicative number that you can perhaps share at this point, like let's say a book is worth Rs.100, what is the current economics between the retailer and the publisher and how does that sort of change when you come into the picture?

**Pramod Khera:** Yes, so see right now like I said anywhere between 25% to 40% is what we are going to get in our share and this whole industry is evolving so let's see how it goes going forward. But typically the traditional method, almost 40% to 50% of the price of the book was taken up by the marketing channels.

**Rohan Balakrishnan:** Which would be beyond publishers and between publisher and the retailer?

**Pramod Khera:** No, the distributors, retailers and the dealers.

**Rohan Balakrishnan:** And I am not sure but let's say Amazon or a Flipkart which sells a book worth say Rs.100, what kind of gross margins would they be earning right now because that is the amount of money that they would still want even if you come in, is that understanding correct or...?

**Pramod Khera:** Yes, what you are saying is right. So they have typical norms which they all were sellers on those websites, they come on board, and like I said it is evolving, it is changing, every quarter there are some changes happening because they are trying to find the level field where everyone tries to make money.

**Rohan Balakrishnan:** And sir on the Rapples front, so we have always maintained that our strength in this point is that we have multitude relationships with publishers and thus content sort of flows through us, so there are other players in the market, some of them are educational providers themselves like NIIT or Educomp or some of them are profit providers like M2 Educare. So I mean when you go to those schools, have you in some sense there a competitive landscape already out there that you sense or there is enough and wide opportunity for everyone at this point of time so competition is not much?

**Pramod Khera:** Yes, so competition is coming from two or three different quarters, one is hardware provider themselves like tablet manufacturers said we will put some content and we will give to

schools, some education content so they try to tie-up with some education content provider, but their main objective is to sell their tablets, hardware. Then there are some people who are coming from the content side, like even publishers, Pearson etc they say, we will put our book from tablets and give it to schools. However, what they are facing the problem is that the schools say that we do not want all books from one publisher because we feel like having books from different publishers, and so like I said there are two or three different ways in which people are trying to approach and there are a few startup companies which are trying to also look at providing a complete solution the way we are trying to provide. However, there the missing link for them is a book from publishers so that is where we have an advantage. And it is a new concept in the sense that the schools moving towards entirely digital sort of education but now it is getting more and more accepted by the schools and they are looking for some sort of a solution which would help them to convert to digital and that is where we are seeing that having the first movers advantage we should be able to now ramp up pretty fast.

**Moderator:** Thank you. Mr. Dhruve there are no further questions in the queue. Would you like to provide any closing comments?

**Mukesh Dhruve:** Yes. Thank you so much everybody. Thank you once again for attending this con-call and being a part of what we discuss every quarter. I would just like to end by saying, I think Pramod has covered most of the new initiatives that we have done both the Rapples as well as e-Tail is a great opportunity for Repro India and we look forward to what will happen in the current year, it looks exciting for all of us. Thank you.

**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.