

January 20, 2017

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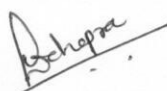
Dear Sir / Madam,

Sub: Transcript of the Conference Call held on January 18, 2017

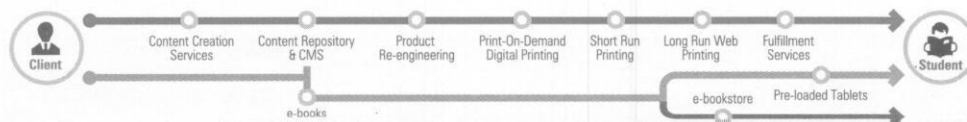
Please find enclosed the transcript of the Conference Call conducted by the Company on
January 18, 2017.

Thanking you,

Yours faithfully,
For **REPRO INDIA LIMITED**


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**“Repro India Limited Q3 FY17 Earnings Conference
Call”**

January 18, 2017



**MANAGEMENT: MR. MUKESH DHRUVE – EXECUTIVE DIRECTOR,
REPRO INDIA LIMITED**

**DR. PRAMOD KHERA – EXECUTIVE DIRECTOR, REPRO
INDIA LIMITED**





*Repro India Limited
January 18, 2017*

Moderator: Ladies and gentlemen, good day and welcome to the Repro India Limited Q3 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Dhruve. Thank you and over to you sir.

Mukesh Dhruve: Thank you. Good evening ladies and gentlemen and all our stakeholders, welcome back to this concall. It is a pleasure to welcome you back to this call and we have already mailed the results to all of you including the presentation. I will ask Dr. Khera to take you through the presentation very quickly and then we look for question-answers. Thank you.

Dr. Pramod Khera: Thanks Mukesh. Good evening ladies and gentlemen. Like Mukesh said, we have sent out the results and the presentation. I hope you have the presentation copies open in front of you. I will just take you through the slides. The first slide is just a content, so we will be talking about the different businesses that we are in starting with eRetail, Rapples, then the print business of India and Africa and then a few slides on the financials.

Before that let's recapitulate, the beginning of the year we had said we had put forward to study for the year which is there in the next slide. What we have said over there is as far as the current business is concerned, we are going to focus on consolidation, focus on MNCs of the domestic and global business, financial consolidation, cash flow collection and deduction of expenses. So that was the focus of our existing business is concerned. Rapples, we said that we would move towards breakeven in the current year. E-Retail was the business where we wanted to clear the platforms where we have seen a good growth in the future, so we wanted to create a platform for exponential growth in the future.

So where are we today? The next slide gives you an executive summary of quarter 3 results. Overall, the strategy has progressed well in the direction that we had laid out. The three-pronged strategy of focus on eRetail, then restricting our print business to strategic customer which are safe, secure, dependable and expense control. As you are aware, last 3 quarters we have been showing a negative bottom-line but this quarter we have turned around because of the impact of the strategies that I just talked about. We have seen a growth in revenues from 67 crores in the previous quarter to over 80 crores this quarter. The operating profits also have increased by almost 8 crores from 3.36 to 11.11 crores and profit after tax which was a loss of 5.76 crores last quarter has gone up to positive 1.28 crores. So, this is the summary of the quarter. Like I said initially we strategize that we had outlined in the beginning of the year, we are now paying dividends and going forward we will persist with these strategies and next quarter hopefully we are saying a much better performance compared to the current quarter also.





*Repro India Limited
January 18, 2017*

Let's start with eRetail. The next slide gives the schematic of the business model for eRetail which some of you who are regularly tracking Repro would have seen earlier. So, basically what we are talking about is Repro is the content aggregator, we aggregate content from publishers and we delivered this content in the form of printed books to customers in India and outside India with the partnership with Ingram. That is in a nut shell the business model that we are following in eRetail.

So, where are we in this business? The next slide talks about the number of publishers that we have signed on. In India, we have signed on more than 70 publishers now. The number 70 might not look very big, but these are all large strategic publishers, many of them are MNCs. Our strategy was to first get these publishers on board because once you have these publishers on board, then the rest of the publisher will easy to convince and to come on the platform. So, we have successfully added most of the large publishers from India.

As far as international is concerned, the stream that we are getting from Ingram, there we are getting titles from over 20,000 publishers. So, today we are selling books in India, the number of titles are more than a million. If you recollect last quarter, we said we are around 4.5 lakhs or close to 5 lakhs. We doubled that in the last two months because last time when I spoke to you that was November the 15th and today is of January 15th, so in two months we have crossed one million figure with title of coming in from more than 20,000 publishers. That is where we are and we are selling all types of books whether it is textured books, referral books, trade books, IT books, children books, education books and the single color, four color, half different types of bindings. So, the entire gamut of the books which are available in the market are being sold by us online which is giving a lot of benefits to the publishers because they do not have to invest upfront in printing the books and block the working capital of inventories. We are holding virtual inventory and we print the book after we get the order. For the European thing, we are housing logistics and obsolescence cost for the publishers and because we are now selling the books over a large number of online channels which we gives a wider market reach and also many titles which we are not being printed earlier by the publishers because of lack of demand or uncertain demand they did not know whether it would sell or not sell, so those titles were out of print. Now we are listing those titles and that was a lost opportunity for the publishers which today they are making sales out of that and that is adding to their revenues.

Next slide give you a graphic of the progress that we have made since we launched the business which was in April. So titles as you can see from a lakh we gone up to 10 lakhs which is a million. Revenues per week, last quarter if you recollect I had mentioned that we are doing around 20 lakhs per week that was in November 15th. Due to the demonetization, there was an impact because lot of online sales happened through cash on delivery which was impacted for a month or so and we saw our sales dipping; however, they have now revived and so now by January 15, we are doing around 30 lakhs per week. Had that did not happen due to the demonetization and we would be taking about much higher figure today. However, 30 lakhs



itself is a good growth from 20 lakhs which was 2 months back. So, we have added a lot of multinational publishers like Packt, Simon & Schuster, Pearson and Springer, Penguin, HarperCollins, Sage and many more.

Next slide talks about the channels on which we are selling these titles. So in addition to Amazon, Flipkart we got Snapdeal, we got Rediff, we got Paytm, we got Infibeam. We are the platinum seller partner for Amazon, so what does it mean? What it means is that our products which we are selling at Amazon are listed as prime products. That means the prime subscribers of Amazon are able to get delivery within 24 hours and without having to pay for delivery. So this gives us an edge over competition and for the partnership that we have with Amazon is strengthening day by day and we see that contributing more and more to the sales that we are doing online. The relationship with Ingram also is progressing very well and they are quite confident that the type of sales, the growth they are seeing from India. India should become a very significant part of the overall business and the inverse relationship with Ingram has also started. We have started listing some of the books from Indian publishers globally and which has started contributing to our sales is very small as of now but going forward we see that too contributing significantly to the overall sales in the eRetail business.

That was on the eRetail side, coming to Rapples. Like I mentioned last time Rapples, while we are very bullish about the product, the product is very robust and wherever we are using it I gave the example of Poddar School last time. We are getting very good feedback. We have initiated some proof of concept pilots with some government, especially government of Karnataka, we are getting good feedback over there and we are hopeful that whenever on the ground, we have seen a lot of interest in technology led education and market and there should be a revival of the demand for this product in the coming year, we do not know when. But whenever it happens we are there, we are there with a very strong product and we should be able to grow this business too in the future. In fact, in Mumbai itself we have a full where which follows the Maharashtra state board syllabus, we have implemented Rapple solution there, this is in Borivali and we have been running this solution there for last 2 years which is giving a very good feedback from the parents and schools near in that region are fiercely looking at exploring the possibility of implementing in their schools too. So, we are quite hopeful about the future prospects for Rapples too.

Coming to the print business, first of all domestic. Before I talk about domestic, I had mentioned to you last year that the quarter 3 and quarter 4 are the season time for domestic business. So, we have seen a good growth in the domestic business. While the expectation that we had the revival of the export business have not materialized. The domestic business has contributed and most of the revenue today that you see, we are above 80 crores, 68 crores billing has been done from the domestic key customers like and the multinational customers like OUP, Oxford, Macmillan, Pearson, etc. The focus on collections continues, we have collected close to 40 crores in the domestic customers and focus on collections continues for the export business too as in the next slide you can see, we have collected close to 15 crores

from the exports debtors. Like I said while the business from Africa continues to be a challenge because of the foreign exchange issue that the country is facing; however with oil prices reviving, we hope to see some revival in the coming quarters. But as of now, we are focusing on multinationals even from the exports market.

So, this is as far as the 4 businesses streams are concerned. Coming to the last part of my presentation for financials, so the next slide talks about the growth in sales like around 20%. Export debtors have come down by close to 8 crores and domestic debtors you see an increase but that is due to increased billing, most of the billing that have happened has been for the domestic business but for overall the debtors are under control, it is around 150 crores.

Next slide talks about the PAT which you have seen, in fact this quarter we are talking about 1.28 crores PAT which while is much better than last quarter which was a loss of 5.76 crores is better than the same quarter previous year too, which was 0.67 crores. So, the efforts that we are put in, in terms of getting business from customers which are more strategic in nature plus efforts that we are put in for cost control have yielded results as you can see at the bottom of the slide, the costs have come down from 80.5 crores to around 71 crores in the current quarter compared to the same quarter previous year. So, employee cost as you can see quarter by quarter we have been reducing and similarly you are seeing a reduction in the other expenses too. So for the 9 months, the consolidated expenses for the 9 months for employee cost you are seeing a reduction of around 4.5 crores and quite a significant drop in the other expenses from 63 crores to 48 crores. So like I mentioned, going forward while these efforts will continue we have a quite a strong order book for quarter 4. We closed the quarter with the opening order book of around 45 crores which today by 15th of January is around 57 crores. So the quarter looks good, we should be able to exceed what we have achieved in quarter 3 both in terms of topline as well as bottom-line.

So the last slide is a one page results which all of you have seen, that brings me to the end of my presentation and now we can open up the floor for questions.

Moderator:

Sure, thank you very much. We will now begin the question and answer session. We have the first question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap:

Congratulations on improved performance by company in the quarter. Sir, I have some specific questions. In recent TV interview you have guided for breakeven in FY17. Going by your 9 months performance, we can see 9.5 crores of loss still in the books. So do we stick with the guidance?

Dr. Pramod Khera:

Yes, so you are talking about the last quarter TV interview where we had said that we will try to reach the breakeven and I have not promised that we will do a breakeven. But we are well on the track like you can see, this quarter we have shown a positive bottom-line and next

quarter should be better. I am not very sure whether we will be able to cover up the losses of last 2 quarters, but the attempt is that.

Vikrant Kashyap: Sir, you said 60 crores of revenues for the quarter is from domestic and almost 20 from export. So do you see traction in export market going forward and any guidance for export business in FY18?

Dr. Pramod Khera: No, domestic business is not 60 crores. In fact, domestic print business is around 68 crores and export business is around 5 to 6 crores, balance is the digital business. So exports have been down, we have not seen the revival in exports like I mentioned earlier doing my presentation next quarter also as of now there is no visibility of growth in export; however, we are hopeful that looking at the macroeconomic situation, there should be a turnaround happening sometime soon, we do not know when but.

Vikrant Kashyap: So do we see our previous profit levels coming back in coming here apart from Ingram business?

Dr. Pramod Khera: Domestic business is highly competitive, we had god margins from the export business. Now if the export business revives, then there is a good chance; however with the domestic business, we will see an improvement but at this stage I would not like to quantify what could be the margin that we are going to reach.

Vikrant Kashyap: My last question would be sir will you please tell us how much old debtors in the books in Africa and India?

Dr. Pramod Khera: Debtors you mean?

Vikrant Kashyap: Yes debtors, old.

Dr. Pramod Khera: So, out of the total debtors that we have which is around 150 crores. Out of the 150 crores of the debtors that we have, export is 67 crores and I think around 25 to 30 crores are the one which are the old debtors.

Vikrant Kashyap: In existing business Africa in the presentation, we have talked about big payments from clients like Pearson Mozambique and are expected in Q4. So I want to know how big these demands are. These are sizable in quantity or?

Dr. Pramod Khera: We have not talked about any of those in the presentation mentioning that. We are seeing recoveries of the payments like I said, this quarter itself we have collected around \$2.16 million and a lot of the money has come from the client that you mentioned and going forward we should see some more collections coming from them.





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- Moderator:** Thank you. The next question is from the line of Ashwin H, an individual investor. Please go ahead.
- Ashwin H:** Let me start with the eRetail part, could you talk a bit about your Amazon competitors or competitors in general on the eRetail front. I was just looking up Amazon seems like there are a few other store fronts which also have close to a million titles. How do you view competition there and who are the key ones?
- Dr. Pramod Khera:** So, if you look at the eRetail business Amazon, Flipkart, etc., they have created market places where a lot of sellers like Repro can sell. There are other distributors which are selling on Amazon, Flipkart. Now all these sellers, they are keeping inventory on their books and they are selling or if they do not have inventory, they are selling international titles, they are giving a lead time of 3 to 4 weeks because once they get an order then they import the books, it takes 3 to 4 weeks to import the books and then they deliver the books, right. Whereas in our case what we are doing is that all our books that we are selling close to a million books, we are saying that the delivery will happen within 2 to 3 days. In fact, 24 hours is the time that we deliver the books Amazon for further delivery. So, that is the difference between us and other sellers because other sellers have to have stock with them for selling otherwise they have to give a longer lead time and for any online purchases, any customer going online for buying any goods and books also when they see a longer lead time, normally they lose interest and they do not place the order. So, that is the advantage that we have vis-à-vis many of the sellers. So while we are new, we have started just 9 months back, we are adding titles, we are growing our business and what we are finding is that we are able to get more and more share over the market for many of the old sellers who have been selling on these channels.
- Ashwin H:** And who would be your typical competitors or which kind of distributors if you can even name them for the types of books that you handle?
- Dr. Pramod Khera:** See, there are 6-7 large distributors in India who are doing mainly offline distribution. They supply to book stores, they supply to institutions, to libraries, etc. Now when online book sales started increasing, they also started selling online. So all of them are selling online, so there are large distributors like UBS is there, Prakash is there, IBD is there, JBC. So they are all traditional book distributors which are there. So, all of them selling online today.
- Ashwin H:** And then, I mean just from your own perspective that is looking inward, how do you view your road map or vision for the next 2-3 years both in terms of the number of publishers you want to sign up and the number of titles you would like to offer online.
- Dr. Pramod Khera:** There are 9,000 publishers in India that is the potential and Ingram has got 45,000 publishers with 14 million titles. So, that is where we can reach in terms of titles, in terms of number of publishers and if you look at the market, in India today as for some estimate is around 1000 crores which is being sold online. 1000 crores worth of books are being sold online today and



which is growing very fast and we expect this to go up to may be 8 to 10,000 crores in the next 4 to 5 years. So, that is just pure online book selling market. So, that is the opportunity in front of us.

Ashwin H: Understood opportunity but how do you view yourself based on your own band width and capacity constraints or whatever else right. How do you view your road map in this next 2-3 year journey as you look at the market?

Dr. Pramod Khera: So, we would like to garner a significant share over the online selling market.

Ashwin H: Again any broad milestones?

Dr. Pramod Khera: No, I mean first of all we do not talk about any future projections or the guidance, but you can make your guess because the market is there and quarter-on-quarter will be showing good traction on the ground.

Ashwin H: And then is there any capacity that you inherently have from a digitization perspective once you sign up the publishers or do you get the content already in a soft form and it is a case of publishing it online.

Dr. Pramod Khera: Yes, so both. I mean some publishers have content which is ready for print and you can just take it and list it. Some publishers need to do a lot of work on the content, so either we do it or we guide the publishers on how to do it and some publishers which have got all titles, they do not even have the soft copy. So we have to scan the printed book and we have to then convert into digital copy and then it is ready for POD. But like I said, once the publisher sees the benefit of coming on board with us, we are willing to invest in creating those titles and gave it to us and we see this gaining more and more traction as more and more publishers see the benefit of POD.

Ashwin H: Sorry a couple of more questions before let's someone else come in, from a publisher the 70 plus Indian publishers you have. Do you have exclusivity with them for the titles that you are selling online or do they also sell through the usual distributors?

Dr. Pramod Khera: Yes, see the thing is like I said, the offline distribution they have distributors, right. Now those offline distributors are also selling online, right. Then from those offline distributors, anybody can buy the book and sell online. So it is very difficult to get exclusivity, while the publisher might give you an exclusivity anybody can buy those books from an offline distributor and start selling it online.

Ashwin H: And then of the publishers, the 70 plus that you have signed, do you have all their publications already digitized or even with this 70 publishers can you exceed the number of titles beyond one million. I am just trying to get a sense of the potential of the just the 70 publishers itself?

- Dr. Pramod Khera:** Yes, see this one million titles are not just on the 70 publishers, 70 plus 20,000 of the international publishers. Now these 70 publisher also, most of them we start with 100-200 titles and then we keep adding it. So, some publishers we already have the entire catalogue with us. The objective is that for all these publishers, all the 9,000 publishers in India I want to have their entire catalogue with me.
- Ashwin H:** So, this is very clear. Now from an existing business perspective, I am sorry, I missed the numbers on unbilled orders that you have which you still need to bill for Q4, I do not know if you talked about that number but I may have missed it.
- Dr. Pramod Khera:** The opening order book as on first of January 2017 was around 45 crores and as on today it is around 57 crores.
- Ashwin H:** And again may be this is a repeat, I did not quite catch you. So you have said that you had 25 to 30 crores of old debtors and do I make the assumption that some of the names that you use on slide number 11 where you say big payments from clients like Pearson, Mozambique, UPL events expected in Q4. When you say big payment, I am assuming it is part of this 25-30 old debtors, is that right?
- Dr. Pramod Khera:** That is right, Yes.
- Ashwin H:** And is there a sense of how much these people would account for of the 25-30?
- Dr. Pramod Khera:** These are the main clients which will account for that 25-30.
- Moderator:** Thank you. The next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** I had a couple, first of all when you are putting the books online for eRetail, is there like a criteria that you all are putting in terms of the fastest moving books first or the most in terms of value the highest value books first. Just trying to understand because it seems like you have a lot to choose from, so what is it that we are posting up right now in terms of Amazon or Flipkart or wherever?
- Dr. Pramod Khera:** Yes, you are right. There are 2 or 3 different categories, so there are front titles which are selling in large volumes and which is being sold by most of the distributors and there is lot of competition there and lot of discounting which happens. So that is one category of books, then second category are the mid titles which are selling well but these are not the best sellers. Then there is the third category which are the back titles which nobody else is selling which are either out of print or publishers are not seeing too much of demand for those and they are not really printing those books. As far as we are concerned, when we sell the back titles, it is almost like we get exclusivity on those books because those books are not available in print, we are the only people selling it and that is an advantage that we have and similar advantage

we get from mid titles also because all distributors do not carry those stocks. So, front titles we want to sell because we also want to have the numbers in the volumes but that is not the game that we want to play because that is the traditional business, the traditional distributors are selling. Our focus is more towards the print on demand where the mid titles and back titles make more sense to us.

- Jaineel Jhaveri:** So the one million books that are already on there, they have made or the backlist ones.
- Dr. Pramod Khera:** The list also contains front titles, we are selling those titles also but we are not aggressively competing on price of the normal traditional sellers.
- Jaineel Jhaveri:** So, I mean once you start listing, is there a way that we can like have this process expedite it in terms of this so many books that you can put up there, so why is this process taking so long and is it really labor intensive?
- Dr. Pramod Khera:** Yes, I think 2 months going from 5 lakhs to 10 lakhs is quite a fast process. Like I explained to you one is that the content has to be print ready, it has to be tested out, and it has to be properly tagged with metadata, etc. So all that is something with the publishers too we have also them to do and once they understand the process, now then they do not faster. So while we are adding titles almost every week and every month, we definitely see this growing in the coming months and I think that the pace at which we are growing is we are quite satisfied with it.
- Jaineel Jhaveri:** And another question that I had is that what was the total revenue from eRetail only in this quarter?
- Dr. Pramod Khera:** Like I mentioned, we have reached 33 lakhs per week.
- Jaineel Jhaveri:** No, but that is right now. But what was it for the past quarter as a whole like in the past 3 months what were the revenues that you have?
- Dr. Pramod Khera:** Middle of November we were doing around 20 lakhs per week, 20 x 12, 12 weeks if you see.
- Jaineel Jhaveri:** So what your revenues are not the GMV for Amazon, right. This is what you get from Amazon, this is your revenue is only the 30% of the value of the book that is being sold.
- Dr. Pramod Khera:** No, this is for GMV.
- Jaineel Jhaveri:** So your revenues are going to be the GMV?
- Dr. Pramod Khera:** Yes, because we are billing the end customer.
- Jaineel Jhaveri:** And of this, your EBITDA would be approximately 10%?

Dr. Pramod Khera: It is difficult to say at this stage, I mean as we go along once we reach a level where we are able to build up scale, then we will be able to talk about EBITDA.

Moderator: Thank you. We have the next question from the line of Nishit Rathi from CWC Advisors. Please go ahead.

Nishit Rathi: Just a couple of questions, I just wanted to reconcile the debtors for exports, so what we basically saying is our total debtors for exports as at the beginning of the quarter was about 75 crores. If you done sales only of around 5 crores and recovered 14 crores, I could not understand the number a little bit out there.

Dr. Pramod Khera: So, 75 minus 14, 5 and then there was an exchange difference of around 2 crores.

Nishit Rathi: 75 minus 14 will take the debtors to 61 crores but we have ended the debtors at say 78 crores.

Dr. Pramod Khera: No, we ended in 67 crores.

Nishit Rathi: There is an error, in the presentation it shows 78 and okay, then there is an error in the presentation.

Dr. Pramod Khera: Look at slide number 12.

Nishit Rathi: Slide #12, so 150 crores of debtors so exports itself for the year was 78 crores.

Dr. Pramod Khera: 67.2 crores.

Mukesh Dhruve: Sorry these are typo errors there. I think it is 67.2 crores is the export debtor, 83.31 crores is the domestic debtors.

Nishit Rathi: And domestic is how much?

Mukesh Dhruve: 83.31.

Nishit Rathi: Domestic is 83.1.

Mukesh Dhruve: Right and export is 67.20.

Nishit Rathi: Okay, it makes sense, because you have done most of the sales in exports that is why I was just little surprised out there, okay.

Dr. Pramod Khera: What we will do is at the end of this call we will revise this presentation with the correct numbers and send it out again to you.

Nishit Rathi: That will be very interesting. Secondly about the clarification you said the order book at the beginning which is 45 crores was in first Jan or first October?

Dr. Pramod Khera: First Jan.

Nishit Rathi: So, as at first Jan it was 45, so what was the order book as of first October?

Dr. Pramod Khera: I will give you the exact numbers. First of Jan is 44.58 crores and for beginning of October we have those numbers, we are just checking, will get back to you.

Nishit Rathi: And last question is basically okay so this is how we understand, in Q1 you had around 1.5 lakh titles, in Q2 by the end of Q2 you had something between 3 and 5 lakhs titles and by the end of Q3 you were close to a million titles, right. Now the sales as at the end as of today Jan is about 3 million per week. So what we are trying to understand is which category does this sale primarily fall into, is it coming from the title which was listed in Q1, how does this scale up of these titles happen?

Dr. Pramod Khera: See when we list any new title, it takes some time for the title to start generating revenue because of the discoverability and people being aware of that these titles are available. So there is a lag, right. But what I am doing over here is at that particular instance how many titles we have and what is the revenue getting. So, we are not generating the full potential for all the title listed as of now.

Nishit Rathi: So, the question is primarily is it fair to say that the Q1 the title is one and half lakh titles which would have had 2 full quarters of listing would be generating bulk of your revenues, would you give us some kind of sense that those one and half lakh title is it possible that they could be generating 70%-80% of the revenues or it is hard to say?

Dr. Pramod Khera: No, see there are lot of variables here, books have seasonality, education books especially the seasonality involved and secondly there is also the promotions that are done to increase the visibility of books and also any matter of event that has happened which generates interest on some books. So, it is very difficult to just link up in an excel sheet, so number of titles vis-à-vis sales and there are many more factors which come into play it. So it is very difficult to really build the relationship.

Nishit Rathi: Only thing which we are trying to understand out here is what is the rough lead lag for a particular title to kind of show its fair sustainable revenue stream in Amazon. Basically if I have listed in Q1 by when should I hit us steady state on Amazon? Will it take a quarter, 2 quarter or it could a longer, that is the question.

Dr. Pramod Khera: It is varies from title to title, there could be some titles that do not sell for a full year, suddenly they start selling. But so like I said there are hundreds of factors and one has to keep on thinking how to increase visibility, how to promote the titles and how to increase the sales of

particular title. So while we list a title and they are available, all of them might not be on generating sales for some time, some former titles can start generating sales from next year also.

Nishit Rathi: And final question for the promotions of it, will we be required to do the promotion on Amazon, will that come in as an advertisement are you already doing that or will Amazon help us in that and will Amazon be bearing that bit?

Dr. Pramod Khera: Yes, so there are different types of promotions, there are promotions which happen through searches, which happen through ads and through also schemes and also festival offers etc. So, different types of promotions, some promotions the publishers also take part in those types of promotion and some promotion the channels also take part and some promotions that we also initiate.

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

Chirag Vekaria: For this 9 months, can you give the break up between printing, Rapples and eRetail business, can you give some breakup?

Dr. Pramod Khera: Okay, we will just work this out and in the meantime if you have any other questions, you can ask.

Chirag Vekaria: Sir just wanted to understand sir, since the Rapples and eRetail business is catching up, wanted to understand for this print business going ahead, so what is the sustainable margin?

Dr. Pramod Khera: So, like I mentioned in the presentation, currently what our margins that we are seeing this is primarily from the print business only, the results that we have announced and this is mainly from the domestic business because of our focus on expenses we are seeing some margins emerging out of the domestic business. So going forward if the component of exports in the print business increases, we should see better margins coming out of the print business also.

Chirag Vekaria: But sir, do we see that export to be progressing again?

Dr. Pramod Khera: Again I already talked about it because there are some improvements in macroeconomic situation like the petrol prices going up and with the recovery of our dues, then we will be able to restart business with some of the clients and our focus on multinationals also will generate some business from many of these African countries. So we are hopeful but we do not know when.

Chirag Vekaria: And sir for the 9 months, the other expenses sort of fallen down from 63 crores to 48 crores, so what are the components which has sort of come down?

- Dr. Pramod Khera:** Other expenses while there are certain fixed expenses which we have focused upon to brought down and a lot of expenses are also variable since that also depends upon the business that we do because some of the other components of the production like freight etc. all that comes as part of other expenses, right.
- Chirag Vekaria:** And sir, just one last thing sir, can you give me sir what is the debt on book right now?
- Dr. Pramod Khera:** It is similar to last quarter around 210 crores.
- Chirag Vekaria:** And the net debt number would be how much sir?
- Dr. Pramod Khera:** Debt as said around 210 crores.
- Chirag Vekaria:** I mean the cash one, what is the cash on books right now?
- Dr. Pramod Khera:** No, I am talking about the debt, long term plus short term debt is around 210 crores.
- Moderator:** Thank you. The next question is from the line of Rahul Bhansali, an individual investor.
- Rahul Bhansali:** Sir our raw material cost as a percentage of sales that has gone up over the last 2 or 3 years, so why is that sir?
- Dr. Pramod Khera:** Last 2 or 3 quarters we have seen an increase because of increase of paper prices.
- Rahul Bhansali:** So, we cannot pass that on to our customers?
- Dr. Pramod Khera:** We can definitely, so going forward we will do that, but whatever business we already contracted, we have to honor the old debt.
- Rahul Bhansali:** And we said that as exports go up, we should see a better EBITDA but if we only scale that domestic business also, even that should see us help our returns, right because the scale would go up and fixed cost would stay the same.
- Dr. Pramod Khera:** You are absolutely correct. So, now the focus on reducing expenses, we have reached the stage where we are profitable even with the domestic business and going forward if scale increases, we should be able to see better EBITDA margin certainly.
- Rahul Bhansali:** And do you see growth in the domestic business as well?
- Dr. Pramod Khera:** Yes, like I mentioned next quarter itself we are seeing better performance in topline mainly from the domestic business coming in quarter 4 as compared to quarter 3.



- Rahul Bhansali:** And we used to do a lot of value added services in the past. So has that slowed down, has that part of the business gone down?
- Dr. Pramod Khera:** No, it is all part of the print business.
- Rahul Bhansali:** So, with the value added business also we are achieving in these kind of sales and margins.
- Dr. Pramod Khera:** Correct.
- Rahul Bhansali:** And then in the Rapples business, there was one slide where we spoke about, we are doing something with Ingram vitalsource or something. So, could you explain that?
- Dr. Pramod Khera:** Yes, so as Ingram also have ebooks and vitalsource is their division which deals with ebooks, so we have been talking to Ingram to see if we can get that those ebooks available here in India, so that through Rapple we can offer it, those books are referral books for the libraries and for students in the schools and in the institutions where we have implemented our solution.
- Rahul Bhansali:** And sir what kind of revenues would we generate from that?
- Dr. Pramod Khera:** It is difficult to say at this stage, we are still just talking to them to get this into place.
- Moderator:** Thank you. Next, we have a follow-up question from the line of Ashwin H, individual investor. Please go ahead.
- Ashwin H:** Just picking upon the discussion which happened a while back on profitability in eRetail. Dr. Khera you said once you achieve scale one we will be able to better predict the margins. But when you make the business model what is considered a good scale from a sales perspective and what is the steady state margin expectation for such businesses?
- Dr. Pramod Khera:** See, this is a new business and while obviously for all businesses that one launches, there are projections and there are financial models that we put into place. One thing we are quite clear about that once you hit a particular level, we should be able to show better EBITDA margins than the print business. Okay now, how much is that since here we addressing the entire value chain of distribution and printing which currently is restricted only to printing, no traditional business. So, we should see better EBITDA margins. Now to what extent better at this stage I would not like to really ...
- Ashwin H:** In the traditional print business, what kind of EBITDA margins would you envisage in a full capacity kind of setup?
- Dr. Pramod Khera:** Around 18% to 20%.



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- Ashwin H:** So, this is going to potentially be at least that much then. And when you talk about scale achieving scale, when do you think you would have achieved scale from a number of books sold perspective?
- Dr. Pramod Khera:** Well, if you see currently we are doing around 1000 books a day, 800 to 1000 books a day. And what we are hoping is that the growth that we are seeing week on week and month on month over the last 9 months, we should be able to reach a scale where within 6 months or so where we should be able to show up good EBITDA in the eRetail business.
- Moderator:** Thank you. Next question is from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** I just wanted to understand how long would competition take to get to the level that we have and where do you see them like in your circles where is the competition, seems like everyone would have figured it out that this is the place to deal having a one book factory kind of a model and putting yourself up on Amazon and Flipkart. So, who is close enough to you and how far behind are there?
- Dr. Pramod Khera:** So, see these businesses currently we are the only players in India who are doing this while there are like I mentioned a lot of traditional distributors who are selling on Amazon, Flipkart. So, they have the competition right now. Our model is different, it is a zero inventory model and pentup demand. So, for implementing that sort of a model, there are two or three things which are important. One is the investment in the IT and the infrastructure. So, we have been investing over the last 2 to 3 years and we have built up the whole enterprise wide IT automation which is helping us to grow this business that is the lead time we have over competition that is one. Second is getting the content into the system, so again we have been working with publishers for the last 2 decades more than 2 decades. So, they have the comfort and the confidence that the content with that they give us it is safe, it is secure and because that is the biggest worry which the Repro they do not have any fears of any piracy etc. For a new player it will be difficult, I mean it takes some time to build that sort of a trust and the third most important is that we have a large depository of titles coming in from Ingram. Ingram is the largest aggregator of titles globally. The second largest is one-tenth the size of Ingram. Now Ingram has tied up with us and they are very happy with the way the whole business is growing and for anybody else to get severe number of titles will be practically impossible.
- Jaineel Jhaveri:** So, as I understand before from the previous calls Ingram does not have one on one, I mean an exclusive relationship with you guys, right? I mean they could essentially tie-up with another person too?
- Dr. Pramod Khera:** Well, the way we are working with them closely in the partnership of course that we are taking and like I said they are extremely happy with us and there is no reason for them to look at any other partner.



- Jaineel Jhaveri:** Also as you said that the markets increasing from 1000 crores gross GMV to up to 8,000 to 9,000 crores in the next 4-5 years. So, what percentage of that is coming out of these traditional book sellers or is it all from the traditional book sellers?
- Dr. Pramod Khera:** This is the online selling market.
- Jaineel Jhaveri:** And all of it is from the book sellers?
- Dr. Pramod Khera:** These are the only books, Yes. The overall book market if you see today in India is 36,000 crores, out of which 1000 crores is online. The rest of it is offline and being sold direct B to B. Now just 1000 which is online is expected to grow to around 8000 to 10,000 crores whereas the overall books market from 36,000 also expected to growth to 70,000-80,000 crores because of the book publishing market in the industry is growing at around 19.3% year-on-year.
- Jaineel Jhaveri:** Also you are not expecting that offline is going to go online?
- Dr. Pramod Khera:** No. See currently online business is around 2.7%. 1000 crores of 36,000 crores is around 2.5% to 3% and even market grows up to 75,000 crores. We are expecting that around 10% to 12% of that will be online which is around 8,000 to 10,000 crores because that is the trend worldwide.
- Jaineel Jhaveri:** So there is always going to be room for mass selling of books and then there is this kind of model also?
- Dr. Pramod Khera:** See a lot of books we are sold directly to libraries and in India, education books is a very big market. School books which are prescribed which are sold directly to the schools, etc.
- Jaineel Jhaveri:** And on top of all of this is the kindle type of which is going to be e-books which is completely different which is also growing?
- Dr. Pramod Khera:** Correct.
- Jaineel Jhaveri:** Alright and sir one thing, so for in terms of CAPEX, so in terms of capacity what kind of sales can we do from the current set up?
- Dr. Pramod Khera:** So, in the current set up that we have, installed capacity is around 6000 books per day but by minimal CAPEX we can take it up to around 20,000 books per day.
- Jaineel Jhaveri:** What is that minimal CAPEX?
- Dr. Pramod Khera:** Less than 10 crores.
- Jaineel Jhaveri:** And then from then on like what would be like the net level of CAPEX?

- Dr. Pramod Khera:** So, see there are lot of other opportunities. One is that we can set up units in Delhi, in Chennai and in other parts of the country so that we can service the customers better and second is also look at other value added print on demand activities like color books and which also so depends on the type of market segment that we want to address, the CAPEX would vary as per that.
- Jaineel Jhaveri:** But what would be your plan, so FY18-FY19 what would you all have slated for CAPEX?
- Dr. Pramod Khera:** FY18-19, at this stage I do not think we have any firm plans that I can share.
- Jaineel Jhaveri:** And in terms of fund raising, would you all like at this point of time would you say that this is peak debt that you have right now and it would start trending lower?
- Dr. Pramod Khera:** It is already trending lower. It has reached, I think 240s.
- Jaineel Jhaveri:** So, would you raise more money or how is this, so in the next level of CAPEX would that be from internal accruals?
- Dr. Pramod Khera:** As of now, it is from internal accruals only and I think at this stage we do not have any plans looking at an external funding.
- Jaineel Jhaveri:** So for the next may be one year, you do not need any money is that a correct statement?
- Dr. Pramod Khera:** No, I am not saying that we are not sure, like I said the way we are growing today we already have invested to reach a certain level in the current facility, we do not require too much of CAPEX over there. However, it depends on the opportunities and so may be over the next 3 to 6 months we will have better view.
- Jaineel Jhaveri:** Because seems like the opportunity is so big and it seems like especially for eRetail if the first guy who comes and does it all should essentially win it all, I mean there is no reason for me as an Amazon user to go to the next person if you are already giving me at one day I am happy. So then why would I go to the next, there won't essentially be another Repro is what I understand.
- Dr. Pramod Khera:** Well to a large extent what you say is correct and so like I said that we need to travel a bit of more ground to really form up our strategies in terms of investments and what market share we want to reach over the next 4 to 5 years.
- Moderator:** Thank you very much. That was the last question. As there are no further questions, I would like to hand the conference back to Dr. Pramod Khera for any closing comments.



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Dr. Pramod Khera:

Thank you all of you for the patient listening and also for your questions. That slight error in the debtor figures, we will correct that and we will resend the presentation out to all of you. I apologize for these errors and good day to all of you. Thank you very much.

Moderator:

Thank you. On behalf of Repro India Limited, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.

