



**“Repro India Limited Q1FY15 Earnings  
Conference Call”**

**August 12, 2014**

**MANAGEMENT : MR. MUKESH DHRUVE & MR. PRAMOD KHERA –  
EXECUTIVE DIRECTORS, REPRO INDIA LIMITED**



*Repro India Limited  
August 12, 2014*

**Moderator:**

Ladies and gentlemen, good day and welcome to the Q1FY15 earnings conference call of Repro India Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing \* then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Dhruve – Executive Director of Repro India Limited. Thank you and over to you Mr. Dhruve.

**Mukesh Dhruve:**

Good evening everybody. All my friends and stakeholders, welcome back to this concall of Repro India Limited. Mr. Pramod Khera is with me on this concall.

**Pramod Khera:**

Good evening to all of you.

**Mukesh Dhruve:**

Just as last time, we will take you very quickly through the highlights. I am sure you must have all seen the results. But as we have discussed in the last quarter and we are continuing with our strategic approach that we had taken up in the last quarter of the last financial year which was basically the new initiative business that we are doing of RAPPLES and our key focus being on the growth of the domestic market, export which we had decided to slow down because of the collections and other issues. As a strategy, we are trying to revise that and bring it back to the normal levels and finance our working capital mostly by reducing the debt that we had and as far as the infrastructure was concerned, improvement and benchmarking with the global directions. So keeping this in mind, the development of RAPPLES which has happened is that after the last quarter where we had launched in Delhi, RAPPLES has now also launched in Southern India. We had successful RAPPLES events for schools with Intel in Mysore where about 25 schools attended as well as in Bangalore where about 75 schools attended. Plus as you know we had started with pilots in about 10 schools which has now increased to about 20 schools with key cities in North being Delhi, Ludhiana, Jalandhar, Ambala and Ghaziabad and key cities in South being Bangalore, Mysore and Hyderabad. Last when Dr. Khera discussed with you, you know we had content from almost about 25 publishers which has now increased to more than 35 publishers and as we had explained for the current quarter, we have had a revenue expenditure of 2.41 crores which has of course been written off from profit and loss account for the current year and then we have explained how the overall investor strategy has been helping us in terms of the technological development with the publishers, what are the devices we are using. As we get into the concall if you have any specific questions, you can ask to Dr. Khera who is going to be throughout this concall with me.

Coming back to the domestic growth which we had discussed last time, as you must have seen from the results there has been a growth of almost about 47%. If you compare the quarter one of this quarter as compared to the quarter one of the previous year, from 40 crores the business has almost gone to 60 crores. It is almost a 50% growth and our pan India strategy has really helped us in penetrating with the new clients. Besides being in the North and Western region, we have now moved very strongly into the Southern region and we also started our inroads into the





*Repro India Limited  
August 12, 2014*

Eastern region which will be the focus area in this year. We have already had some very good long-term contractual relationships with our customers, what we call the A category of customers and that is continuing. And as far as the print-on-demand business is concerned, we have increased our revenues from some of the new segments like Coching and new clients like Narayana, Akash, VijayLankar have joined in this.

One of the key reasons that the domestic business is doing well is and which has increased is due to a lot of value-adds that we are giving in the domestic markets specifically in relation to the content creation, the value engineering that we are doing with their products, the print on demand offerings that we are giving to them and as well as giving them a complete educational fulfillment solutions that we are doing.

Coming quickly to the exports, as we had mentioned in the last quarter we have slowed down due to the collections issue and the end result of that has been that in the last two quarters we have collected more than 100 crores of our old dues and as a result now we are seeing that the exports has started picking up, but not as good as what we wanted it to be. Compared to if you look at the previous quarter, we have grown from 24.5 crores to almost 36 crores. But not as compared to what we were in the comparable previous quarter where we had a business of more than 48 crores as you must have noticed. Having said that, since the collections have come into place, we acquired new clients and are penetrating in new regions like Kenya, Mozambique, Malawi and other areas. We are doing a lot of promotional activities to give growth to exports specifically in Nigeria where we are sponsoring the book fairs or participating in the South African book fairs or participating in the London book fairs from where we get a lot of customers coming up from different parts of Africa. Short and sweet, our focus is going to be on education and that will continue to remain on education as we progress.

Quickly coming to the results which have already been seen by most of you. So there has been a reduction in the revenue as you must have seen compared to Q1 over Q4 of the last year as compared to 105 crores, we have done about close to 95 crores this quarter. Operating margins before RAPPLES expenditure has come down in fact close to 18 crores to 17 crores. Operating profit after RAPPLES expense from 14.16 crores is at about 14.65 crores. PBT is from 10.22 crores to 10.38 crores and PBT after the RAPPLES expenses is at 6.47 crores is at about 7.97 crores. The PAT before RAPPLES expense is from 7.67 crores is at 7.75 crores. The PAT after RAPPLES expense is from 4.67 crores is at 5.82 crores. However if you compare these with the immediate comparable quarter of the previous year, the profit margins have reduced and of course there is a lot of pressure on the margins due to the competition that we are facing in India business and as well as the increase in the paper prices which has happened as compared to the previous year. There has almost been an increase of about 20% in paper prices as compared to the previous year which we have not been able to pass on to the customers. I look forward to your questions now. Please go on and ask the questions. Dr. Khara is also very much here with me.





- Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** And sir appreciate your core business growing topline. I have few questions for our new business that is RAPPLES Solutions, can you please explain us in detail about this business, basically as far as from point-wise I can share with you is about CAPEX, delivery model, recovery model and inventory model.
- Pramod Khera:** See, RAPPLES actually is a solution that we are offering to schools just looking at the K-12 segment and we go to the schools with the complete turnkey solutions where we give the content which the school wants. So whatever books the school is using, we go to the publishers and get the e-books so the school does not have to change their content. These e-books are either enhanced by the publisher themselves or we give some additional content like videos, animations etc. and we train the teachers on how to linkup these additional resources on to the books because while teaching they can use these. Then there are backend LMS which have put in the school and the school will be WiFi enabled. The teachers are given tablets, the students are given tablets and both of them have the content on the tablets. The teachers and students can interact with each other using the local WiFi and the teacher can control the classroom using the software that we provide. We put a person in the school to train the teacher, handhold and this is the complete model that we have. Here the tablets are purchased by the student themselves.
- Sanjay Shah:** We do not purchase, they purchase. Tablets are purchased by the schools and students?
- Pramod Khera:** Yes, by the students.
- Sanjay Shah:** We provide them?
- Pramod Khera:** Yes.
- Sanjay Shah:** We purchase it from the hardware vendor and sell it to them?
- Pramod Khera:** Correct. Actually we are recommending the tablets from Intel. Intel has come up with some educational tablets which are suited for school education and with a lot of different features which benefit teaching in a classroom and these tablets are again, they can withstand some amount of rough usage. So we have tied up with OEM who manufactures these tablets and they have set up service centers in India to service those tablets and we import these tablets.
- Sanjay Shah:** Okay.
- Pramod Khera:** And rest of the fees are charged to the students on monthly basis. It is collected by the school and paid to us. That's how the business model works.
- Sanjay Shah:** Right. So we require this ongoing CAPEX for everytime buying a hardware and keeping inventory, maintaining the same and pushing the sales of that?



**Pramod Khera:** Some amount of working capital is required to procure the hardware upfront and after that it goes to the students. They pay for it.

**Sanjay Shah:** So every time we grow, we have more schools in our ambit, we have to have more of this inventory with us, right?

**Pramod Khera:** Yes.

**Sanjay Shah:** We have to put on CAPEX regularly for this business growing?

**Pramod Khera:** See, we also have tie-ups with banks where they are funding the purchase of these tablets by the students. So immediately the asset moves into the name of the student, we get the money. So normally a lead time of around 3-4 months is what we need to have the tablet with us. After that, the tablet goes off our books.

**Sanjay Shah:** So here in this model, the delivery model, we have to outsource infrastructure. We have to even outsource content and just establish for a student for a learning purpose, am I right, the way the model works?

**Pramod Khera:** See we have procured content from the publishers. Like we are saying in that presentation which is sent to you, around 35 publishers on board from whom we have the books with us. So this is already there with us and depending on which books the school is using, those books are given to the schools.

**Sanjay Shah:** So how we pay to the content publishers?

**Pramod Khera:** See, with the publishers we enter into an arrangement of sharing the cost of the books. So whatever the price of the books, certain percentage comes to us, certain percentage goes to the publishers.

**Sanjay Shah:** So it depends on the user or we have to outright first purchase certain amount from them and irrespective of student using or not using?

**Pramod Khera:** No. So we have the book with us and as and when the books are downloaded onto the tablet for schools or students and will get the money from the school, that is when we have to pay the publishers.

**Sanjay Shah:** And sir how we service the hardware because of WiFi connection, all other infrastructure. We have to give that all services from our side to the school?

**Pramod Khera:** Yes, right now we are doing it. But as we grow, we would be having outsourced partner who will be handling this.





- Sanjay Shah:** Sir how do you compare this model with old companies like Avron, Core Education, Tata Interactive and all. I think even in Hyderabad one TeachNext is there. How do we compare our model with them?
- Pramod Khera:** See, the basic difference between the two models is that those were models which set up smart classrooms where the content was provided by the service providers and the students had to go there and see the content, may be interact with the content and teacher used to teach using the content. So these companies own the content, that is one and second thing was this was a one way teaching which used to happen in the smart classroom. So difference here is first of all we do not own the content. We source the content which is required by the school. Secondly, it is one-to-one teaching which is happening. Thirdly, the content resides on the tablets for the students and they can take it home and they can read at home, they can revise at home. So that is the basic difference. It is actually we are enabling the normal teaching in the classroom using technology rather than having a separate classroom or smart classroom as a period or a session where the student go to.
- Sanjay Shah:** So in our model, students are not allowed to take the tablet home or study at home or anything?
- Pramod Khera:** They take it home. They study at home. That is the difference. That is what I am saying.
- Sanjay Shah:** They can take home and study at home.
- Pramod Khera:** And they do not need to buy printed books in the future.
- Sanjay Shah:** I think Navneet has one subsidiary like eSense, is the same model on which platform?
- Pramod Khera:** Yes, we have tried to do the same model. However, the issue here is that our main USP is that, no school is using books from one single publisher. The teachers decide which book they want to have and typically a school will be using book from 5 or 6 different publishers. So if Navneet is going or any other publishers are going with a tablet with their books, the school would still need book from other publishers. We are in a position to provide that.
- Sanjay Shah:** I agree. So that gives us an upper hand. We can provide any publishers.
- Pramod Khera:** Exactly.
- Moderator:** Thank you. The next question is from the line of Rahul Bhansali who is an individual investor. Please go ahead.
- Rahul Bhansali:** Sir my first question is what percentage of the company's revenues comes only from the printing segment and what percentage comes from all the value-added services that we give?





*Repro India Limited  
August 12, 2014*

- Mukesh Dhruve:** Rahul, we do not bifurcate between the two right now because our value-added services package is a part of the entire print services that we are offering together. So we are not bifurcating our services what is the amount that we get. We put a consolidated amount together to the customers.
- Rahul Bhansali:** Okay. Sir what percentage of the customers that Repro gets opt for the entire range of services and what percentage would only asked for printing? Can I get that data?
- Mukesh Dhruve:** See, the way we are moving is, we are trying to convert most of our customers into the complete value chain and where print of course is one of the main components but there are other value-added activities of pre-press and content creation and post-press and fulfillment and it is not that the publishers take the entire range of the services. Some publishers would be okay. We just want you to print and do the fulfillment also. Some publishers say that we want you to create the content and print and send it to our warehouses, will take care of fulfillment. So like that there are different models which are there. So hardly around may be 20%-30% of publishers would be where we are just doing print and nothing else.
- Rahul Bhansali:** And sir in the education books printing segment, what would be Repro's market share in India and in Africa? Can we have that figure, or is it too small to?
- Mukesh Dhruve:** If you look at India, the total books market is around \$2 billion and out of which what is available with the private publishers is around \$1 billion and the rest is from the government sector. Out of this \$1 billion, if you look at how much is getting printed, the part which is printed would be around 25%-30% of that value. 1 billion is the total sale price of the books.
- Rahul Bhansali:** Correct.
- Mukesh Dhruve:** Just as the publishing industry is highly fragmented, there are no real large publishers in the country. The largest would have a turnover of around may be 300-400-500 crores. Similarly printing industry is also highly fragmented and there is nobody like Repro who is focusing only on the education segment. Repro today is focusing only on the education segment and more than 98% of the revenues are coming from this sector. So we are the largest in the segment; however, since this is a highly fragmented industry, there is no real official data which is available to show as to what is the market share and how we are growing vis-a-vis competition effectively.
- Rahul Bhansali:** Understood sir.
- Mukesh Dhruve:** But if you look at the publishing industry, typically it is growing around 10% and if you see our performance compared to last year, our domestic business has grown almost 50%.
- Rahul Bhansali:** And sir you mentioned that in the last quarter, the paper prices had increased by around 20% and we were not able to pass that cost on. So is that only for this quarter or do you see it being difficult in the coming years as well because I think in the past we have been able to pass all the cost increases?





- Mukesh Dhruve:** See the thing is that paper prices have been increasing steadily over the last one year and if you compare the full year increase, it has been almost around 20% and gradually as the paper prices have been increasing, we have been trying to pass it down to the customers. While there is almost a lag to this process and suddenly in the last two quarters, we have found that the paper mills were increasing the paper prices almost every month or every two months and since there was a lag, we could not pass down the entire increase. So that puts some pressure on the margin. However, paper prices are softening now. We are seeing some reduction happening and if we are able to maintain our prices, then the margin should be able to improve not in the current quarter may be which is going on but definitely quarter 3, quarter 4, we should see some impact on the margins.
- Rahul Bhansali:** And sir one final question from my side. Sir the total exports from China is significantly higher than from India. So does the company see this gap increasing or decreasing and why is there such a big gap between India and China in terms of the exports?
- Mukesh Dhruve:** See China actually, they are under different segment. They are printing books which are more for the trade and more for the children books and the main market is the US where they are selling and some parts of Europe. In fact in our market where we are operating, we face competition from Malaysia and even Abu Dhabi and Indonesia and these are some of those countries where people are focusing on the education segment. So it is a different market that is operating.
- Moderator:** Thank you. The next question is from the line of Dharmendra Grover from SBI Mutual Fund. Please go ahead.
- Dharmendra Grover:** Just wanted to understand as to the number of debtor days that we are running now on the exports business?
- Mukesh Dhruve:** So the total number of debtor days are at about 149. Unfortunately, I do not have the breakup of the export in this which I will mail it to you separately, but the total number of days which at one time has picked up at about 182 days are down to about 149 days altogether.
- Dharmendra Grover:** And out of this, any debtors which are longer duration now?
- Mukesh Dhruve:** Just about a million dollar plus which is longer duration, more than 6 months. Other than that, everything is within less than 6 months now.
- Dharmendra Grover:** But if I look at it at the end of fourth quarter, we had 125 days and last year I think in the second quarter we had 145 days. So even despite the exports going down, we have not seen this debtor days going down?
- Mukesh Dhruve:** Overall, but for the few customers other than that, I would say that \$1 million is increased but overall number of debtors will come down in the current quarter and you know what has happened in July, July also we have lot of debtors which were getting due by end of the June. So





- July also has brought in down. The current number of days will be much lower than 149 altogether.
- Moderator:** Thank you. The next question is from the line of Kunal Sabnis from V.E.C. Investments. Please go ahead.
- Kunal Sabnis:** Just wanted to understand your outlook for RAPPLES and what is the revenue contribution, are you expecting in fiscal 15?
- Pramod Khera:** See, RAPPLES is still at a stage where we are doing pilot in the schools and trying to convert them into fee paying students. So like we have mentioned in the presentation, there are around 20 schools where we have done the pilots. Out of which, around 4-5 schools we have started the implementation. The students have started paying for it and as we go along out of these 20 we have done pilots, we should be able to convert some more schools, but it is very difficult at this stage to forecast this as it is a new product, the new offering and I would not like to actually put any number as to whatever revenues we get during the current year would be insignificant compared to the overall revenues of the company.
- Kunal Sabnis:** Okay, so have you booked revenues in quarter one?
- Pramod Khera:** Very minimal.
- Kunal Sabnis:** And for the rest of the year, you do not basically expect it to grow substantially is it?
- Pramod Khera:** The number of students who would start paying would be high. But per student revenue that we get, it is in 100s. So overall the impact could be in a few lakhs.
- Kunal Sabnis:** Okay, so I was just trying to understand the USP that we drive here is that, I mean we source the tablet from other vendors and source the content from other publishers. I mean I do not understand the business model in the sense that will we generate higher returns on this?
- Pramod Khera:** See if you look at the business model per se, what is our strength? Our strength is that we are able to provide the content which the school wants, today in the market there is nobody who has got those type of relationship with publishers and accesses the content from publishers because publishers for them, their security of the content is very important. So they have been working with us for the last more than 20 years. So they have a comfort and confidence. They are giving us content. So having said that, we are trying to put a solution into place so that we become the single point responsible party for the school is concerned. So we are aggregating the hardware, we are putting the software platform and giving the content and we are taking care of the implementation. Now as the numbers grow, as the volume increases, we will see more opportunities to monetize those captive or the students that we have on the whole system and on school if you see that, typically student of 400 students to 1000 students and there is a potential if you cover the full school to earn a revenue of almost 20-30 lakhs per year. Once we reach a level where we are stable in a particular school. So that is the potential. And if you look at the whole



market, there are three types of schools which are there. There are international schools, then there are those CBSE, ICSE schools and there are state board schools. There are private schools which are in state board also and CBSE also and of course international all private schools. So there are almost 3-4 lakh schools in the country which are called affordable private schools where they can afford to spend extra in terms of IT etc. based on survey which has been calculated. So this is the market size and like I told you the potential for per school is this much. So I am not saying that this is something that one can realize between a year or two but I am talking about long term what the potential could be. So the 3-4 lakhs school that we are talking about, how are they being classified? These are schools which are already experimented with some kind of IT technology where they have ICT labs of their smart classrooms and almost 75% of them have some sort of IT exposure. That means there is willingness and there is a need for somebody who can give them a comprehensive education ecosystem which works and wherever we have demonstrated the solutions to the schools like the 100 schools in South and more than 450 schools in North, they have liked the solutions, they are keen to experiment within and start off with that. So that is the way we are looking at it like I said, but we are in early days and will know as we go along how the whole business goes about.

**Kunal Sabnis:**

So just to get an idea about the revenue which can be generated. So if you basically run a similar pilot and say 100 schools and they are using our systems. So if they are running full capacity, what is the revenue that you are expecting on that?

**Pramod Khera:**

I told you 20-30 lakhs per school.

**Kunal Sabnis:**

When we hear about all these iPads and tablets and all the other gadgets that students use, I mean will the only added advantage that we have is the content we are providing, is it?

**Pramod Khera:**

See the content and also how it has been the whole system which will be used to teach in the classroom because it is not just a content, we also train the teachers on how to make lesson plans, how to link up the content with additional content, how to conduct a test in the classroom, how to generate reports and do a lot of handholding of a teacher and like I said, these are days when it is relatively new, the whole solution as a whole product. So every quarter we are revising, we are improving the product and we feel that we are ahead of the curve as far as lot of other players not only in India, even outside India is concerned and the uniqueness that we have in the sense that we are able to get the required content for the school and we are hardware-agnostic. I think that puts us in a very strong position to scale this up once we are able to get access to these schools.

**Kunal Sabnis:**

And from the publishers from whom you source the content, do these guys sell their content in a soft copy format or now they have just started doing when they have seen a market through you.

**Pramod Khera:**

See, these are publishers who are supplying printed books to the schools. Now we have their soft copy with us because we use that for printing.

**Kunal Sabnis:**

Right.





**Pramod Kherra:**

We convert them into e-books, of course after getting permission from the publishers and these publishers also have additional content like CDs, etc., which they give along with the books. So we take that content, repurpose it and embed that content into the e-books itself so that the books becomes enhanced e-books and that is what we then give to the schools. So right now they are giving physical books with CD may be or without the CD also. However what we are doing is we are converting them to e-books and many publishers already have digital content like CDs etc. We embed IT into the books and make it enhanced. Otherwise many publishers are working to enhance the content on their own because they are realizing that tomorrow once this whole thing does become digital, their edge would be a better enhanced book vis-à-vis the other publishers.

**Kunal Sabnis:**

And just one question on the core business, what is the outlook that you feel for about next couple of years with respect to the growth and competition and the margins?

**Mukesh Dhruve:**

See if you look at the domestic market, typically it is a seasonal business. For us quarter 3 and quarter 4 are the best quarters because that is when the publishers have to print the book so that when the schools reopen, at that time they are ready with the books, supply the books. We have really over the last year or so started focusing on the domestic business to grow that business one so that we also get more and more content from the publishers for the RAPPLES initiative and secondly, we also have a part of the strategy decided to go pan India. Earlier our focus was more on the West and the North. We started focusing on the South which today now contributes almost 50-60 crores of business which was 0-3 years back. Similarly we started looking at the East market also and where last year we got almost 10-12 crores of book business from the East market. Like I said there is nobody in India who is just focusing on the education segment the way we are doing. Other printing companies are also doing additional printing like magazines, like notebooks, stationary or packaging or security printing like cheque book, etc., or trade books etc. So we are not doing all that. Now since we are focusing on the education segment, we have been able to constantly enhance our offering to the education services because WE understand their business. That is our focus. That is how we got into all the value-added services like content creation. We have a sister company from where we create content for the publishers and then they also help in repurposing the content, it is for color, adding pictures, etc., content comes to us, we do printing, we do binding, different types of binding. We also have print-on-demand. So if the publisher wants one copy, we do one copy. If they want short run for 1000, we have short run printing long run. So once they come with us and we also take care of the warehousing and fulfillment. So once we have the content into our content repository, we can use that content either for print-on-demand or for short run printing, long run printing or even for e-books. So this is something which the publishers like because they were single point service provider and for the publishers then they can focus on the main business which is to acquire more content, and sell and market the content. The rest of it which is non-core to the main business, they can outsource to us. So with this strategy since we working in India and we have been growing pretty well and we believe that over the next year or two years, this trend should continue as far as the domestic market is concerned. As far as exports are concerned, our focus has been Africa and we purposefully decided to go a bit slow because there were issues in terms of collection which I





think now we have reached a level where we are fully in control as far as collections are concerned. Now again we have started acquiring more business. We have some good orders in the pipeline, but nothing compared to the level that we worked. But this was a conscious decision mainly because to reduce our interest burden and to reduce our debtors. For example, if you look at the results that we had announced, our financial cost which had peaked up to 3.5 crores per quarter has come down to 2 crores and we see this further reducing as our debtors have reduced and we are able to bring them under control. So the 3.5 crores which you see was almost 5% of sales last year which has come down to 2% of sales. So these are means by which we are trying to see how we can really improve our margins because compared to exports, domestic we have lower margin. Since now the share of domestic had increased, we are seeing some pressure on the margins. So there are other ways on inventory control, debtors control, etc. We are trying to see how we can and also offering the value-added for how we can improve the margins till the exports improve which we see that within next quarter-to-quarter we should see some improvement coming back in exports also.

**Kunal Sabnis:** Is exports also seasonal?

**Mukesh Dhruve:** Exports also is seasonal but since we are in 42 countries actually in Africa and some countries session starts in January, some sessions start in September and some also in July. So it is unpredictable because a lot of the order depends upon the government and the lending agency like World Bank, UNICEF etc. So depends on when they release the funds. Sometimes the funds are released even after session starts. So it is very difficult to predict that.

**Kunal Sabnis:** And in terms of content, you do not own any content, is it?

**Mukesh Dhruve:** We do not own any content and we do not intend to own any content because if we start doing that, then we are competing with publishers who are our customers.

**Moderator:** Thank you. The next question is from the line of Saurabh Pant from SBI Mutual Fund. Please go ahead.

**Saurabh Pant:** Just on the industry statistics that you had given out on the book market being \$2 billion in India, you said the private publishers are about half of that, just wanted to understand what would be the size of publishers who cater to let us assume CBSE, ICSE, and a bit of IB, what would be their size or if you can size it up as per top publishers or publishers who have English medium, who cater to English medium schools of this \$1 billion.

**Pramod Khara:** See like I said, it is a highly fragmented market. The largest publisher would be in the range of 400-500 crores. We know Navneet which is in that range. The rest of them, even the multinationals like your Cambridge, like your Macmillan, etc., are much lower. So there are close to 8,000 publishers in the country which are catering to this market.

**Saurabh Pant:** Would you consider all of them your target segment?





- Pramod Khera:** Yes, definitely. However as part of the strategy what we have tried to do is that we would like to get more business from the same customers. So we have categorized our customers into category A,B,C for that we get maximum business from category A client and constantly our effort is to bring more and more publishers into the fold, may be starting a C category client is getting on to category B and category A.
- Saurabh Pant:** And when you say printing will be 30% of the billion dollar market that includes binding, fulfillment, and all that right?
- Pramod Khera:** It would not include fulfillment, it will be the cost of the book which includes printing and binding.
- Saurabh Pant:** So the effective market, the target size for you is about 1,800 odd crores broadly, one-third of about....
- Pramod Khera:** That is just a printing. Now if we add those value-added services like fulfillment, etc., and content creation and logistics, so the services we could see that in the market.
- Saurabh Pant:** So 30% includes only binding and printing. If you add fulfillment, it may go up to about 50%-odd.
- Pramod Khera:** Correct.
- Saurabh Pant:** And the other services around that. So let us assume 6,000 crores, 3,000 crores could be your target segment, of which today you do about close to 240 odd crores. So you have about 10% or less than 10% market share in that segment.
- Pramod Khera:** Like I said these are all guesstimates based on some secondary data which is available.
- Saurabh Pant:** And this billion dollar market does not include trade books?
- Mukesh Dhruve:** No, it does not include trade books.
- Saurabh Pant:** What would be the size of the trade book market?
- Mukesh Dhruve:** We are not in that segment, so we are not aware.
- Saurabh Pant:** The second question that I had was could you give us the outstanding debt number?
- Mukesh Dhruve:** I just gave that, it was 149 days.
- Saurabh Pant:** Debt, borrowing?
- Mukesh Dhruve:** The total borrowing, long term or short term?



**Saurabh Pant:** Both.

**Mukesh Dhruve:** The long-term debt is about 65 crores and the short-term working capital is 110 crores.

**Saurabh Pant:** So this has come down by about 10 odd crores from March?

**Mukesh Dhruve:** Yes.

**Saurabh Pant:** So when you say this 100 crores collection has increased...

**Mukesh Dhruve:** That is the export collections came down over the last 6 months. I was talking about Q4 and Q1 combined. Within Q4, we had decided the strategy that we will reduce export and collect our old dues. So between Q4 and Q1, we have collected about 100-200 crores.

**Saurabh Pant:** Just a third point, just wanted to understand this impact of paper. So it seems to be a pass-through but it also seems that there are contracts and when the contract is being executed, the increase in paper prices cannot be pass-through. Is that understanding correct?

**Mukesh Dhruve:** Yes, to some extent what you are saying is right. The whole thing is that we enter into contract for printing with the publishers and of course we have a clause that if the paper prices go up by certain percentages or go down the plus or minus whatever, then will pass-through the increase. But if it is less than say that percentage, then we absorb it. That is the relationship with the publishers depending on that. So that is one part of it. Secondly, when get the order, by the time it gets printed and executed and delivered there is a time period of 3-4 months. So during that period also, there could be paper price changes, etc., which happens. So as I said, there is some lag before we are able to actually either pass it down or realize that additional money from our clients. So when the market is increasing, well we are at the receiving end and when the market falls like it is happening now, we should benefit.

**Saurabh Pant:** So it would take about 6 months you are saying to kind of pass down the existing increase in paper cost or are you expecting that the paper prices will come down over the period of 6 months and margins will come back.

**Mukesh Dhruve:** We are seeing some positive signs, but one never knows, but we are seeing some softening in the market. So by next quarter we should be able to see some impact.

**Saurabh Pant:** And just a last one, you also talked about in the presentation about new clients being added in Africa. Now from the understanding that we got over the last 6 months was that you trying to bring this business down because receivables were getting extended. I am just trying to understand, so is this the focus area, is it not a focus area or these clients are different or these countries are different from the ones we were doing business with.

**Mukesh Dhruve:** Just as Pramod had explained and I had said in the beginning, our focus is going to be both India where the domestic business is growing and export and strategy in the last quarter of the previous





year we decided that we will slow down because of the huge collections that we had which will again, the customers were good but they were dependent on government contracts. So we had executed the contracts of the publishers who in turn supply books to the government. Now the government had delayed their payments and all that. As a result, we were a bit slow in being aggressive in that particular segment. So while that was going on, we started looking at the other countries and newer customers and other things which we have acquired in this particular quarter, new countries have been added and new customers have come from these countries. Especially if you look at countries like Kenya, Mozambique, Malawi where we have got some breakthroughs and we have started getting into it and one important point which I would like to make is the money was slow, but which has not become bad debt because there were no bad debts. But of course we keep on making provisions as per the board policy that we have formulated few years back based on the number of the aging days, we keep on making the provisions. But there is no debt which has become bad as of now. Having said that, your question being on export, it is of course going to be the focus area and as we see the things streamlining, exports is started picking up. Just we have made a strategy for India with the RAPPLES and the rate grown by about 50% which exports picking up in the coming quarters. We cannot predict that yes, will export go to that big numbers immediately, when it will happen. Our focus is that and our strategy is going to be remaining in exports. There is no doubt about that.

**Saurabh Pant:**

And just the last one, this increase in the domestic printing business revenue, the strong growth that we have seen has this come from again private publishers or you participate in some government business also.

**Pramod Khera:**

We do not work with the government at all. It is all private publishers.

**Saurabh Pant:**

So this has been new clients or this has been existing clients whose share has gone up.

**Pramod Khera:**

It is both; however, strategy has been to increase the share from the existing clients. So category A client which contribute today may be to around 20%-25% of the business. So this category A client that I am talking about, they have outsourcing budget of may be up to 100 crores and may be outsourcing in a year or say 50 crores to 100 crores. Today we might be getting a share of may be 20% from them. We want to take it up to 50%. So that is the strategy with the existing customers by all the offering to value-added services and at the same time as new customers from different geographies like South and East had mentioned and start working with them and then grow them into category C, category B and Category A customers.

**Mukesh Dhruve:**

In Africa also we do not work with the government directly. We work with the publishers. We do not supply books to the government. We do not deal with government as such directly in most of the places except a few places where there are direct tenders coming from with the aid of World Bank.

**Saurabh Pant:**

No, I was just trying to understand the strong growth, is it a function of some one-time business that you have got or is it kind of structural in nature?





**Mukesh Dhruve:**

See, Pramod has explained you the India model where we are dealing with some of the top publishers and getting into the pan India strategy. I think he has taken you through. In exports also, we are dealing with almost close to about 22 countries. In 22 countries we are dealing with even say about top 10-15 publishers with whom we are growing, with whom we are expanding. Yes, in these countries also in exports, there are two types of business. One is the direct business which they directly give it to the school and secondly they get large contracts from the government themselves. It could be like a state government or it could be the central government. Now when they get from state or central government, those are the ones where sometimes the money gets stuck. But as far as the private is concerned, we do not see an issue in that. So we are looking at growing in these 22 countries, expanding further in these 22 countries and even looking at newer countries and newer customers within the existing countries that we are working with.

**Pramod Khera:**

Just on the domestic customers, see the growth that we are seeing, this is not a one-time thing from one particular order, a big order that we have got. This is a part of our strategy where we are looking at one, more business from the same customers and secondly, penetration into newer markets and acquiring more customers and this has been going on for the last 2-3 quarters and which we have seen the impact and going forward also we should be able to sustain and grow the domestic business.

**Saurabh Pant:**

How much business you would have done for MacMillan in this quarter from the Chennai plant?

**Pramod Khera:**

Typically around 75 crores approximately for the full year.

**Saurabh Pant:**

So if we annualize this quarter, we will get about 75 crores for the full year?

**Pramod Khera:**

No, 75 crores for the full year.

**Saurabh Pant:**

No, I am saying we should have done about 1/4<sup>th</sup> of that this quarter. So if we annualize the quarterly number, we should be about 75 crores.

**Mukesh Dhruve:**

It is a seasonal business like I said.

**Saurabh Pant**

You would not be able to give me the exact figure?

**Pramod Khera:**

No. See I will tell you. As far as the publishers are concerned in India, it is a seasonal business. So you cannot take a full whatever you do. Say for example, you did 25 crores for McMillan in a year, it will not be spread out evenly across the four quarters.

**Saurabh Pant:**

Fair. But for the quarter if you can give me that number, how much we would have done for McMillan? For the year I got it 75 crores.

**Mukesh Dhruve:**

This is a lean quarter, may be 2-3 crores is maximum we did.





- Moderator:** Thank you. The next question is from the line of Ashish Shah from Budhrani Finance. Please go ahead.
- Ashish Shah:** Got two-three questions from my end. If you look at this quarter, obviously there has been some pressure on margins. Slightly from a medium to long term perspective, is this the trade-off that we will have to live with that. If we have to improve our working capital cycle or get down the debtor days which would mean necessarily that we will have to sacrifice margins?
- Mukesh Dhruve:** Ashish, there was shift in the product mix which has happened, right? In the current quarter we are seeing more of domestic, less of exports. Our strategy is to grow the topline and if we are able to reach a certain threshold level and are able to grow beyond that, we have to utilize that capacities but because the capacities which have been installed are much higher than what we are doing currently. So if we are able to increase the scale, the margins would definitely grow up because fixed costs are getting covered, right? So going forward the emphasis is on improving the revenues and the quarter 3, quarter 4 would be very important as far as debt is concerned and we see a good potential of growing that in those quarters.
- Ashish Shah:** That is helpful. Sir the other thing is on the client, can you share with us what is the client concentration on the domestic side like top 10 clients, top 20 clients or any kind of number you have?
- Pramod Khera:** Like I said, we have categorized as category A, B, C. Now category A clients which are the top clients would be may be around 12-15 in number and would be contributing around 35%-40% of the business. Then we have category B clients which again would be contributing about 40% of the business, around 25-30 numbers over there and then there would be another large number of clients which are contributing the balance 20%. Now these could be in the range of anywhere between 50-80 depending upon the initiatives you are taking in different regions and our endeavor is to see how we can convert them into category C, category B, and category A in the coming years.
- Ashish Shah:** Sir couple of more questions. On the RAPPLES side, we saw number of 35 publishers, correct?
- Mukesh Dhruve:** That is correct.
- Ashish Shah:** What is the gap still between the total publishers who are our clients on the printing side vis-à-vis the same publishers who are agreed to tie up with RAPPLES, what is the gap over there that we want to fill it up over the next 4 quarters?
- Pramod Khera:** See, I will tell you like I said there are category A, B, C clients and today we would be doing businesses around 150-200 clients in India publishers off and on. Those are obviously our first targets to get this currently in. But right now we are focusing mainly on category A, B, and C clients because these are the larger publishers who have larger reach in schools and once we do that, then we will spread out to other publishers also.





- Ashish Shah:** Okay, just one last question on the financials. There was a big number of other income in this quarter. Can you help us understand what is that other income sir?
- Mukesh Dhruve:** As I had mentioned, we had some old debts which we collected in the quarter. So we have no written amount but we have made a provision. So there was a reversal of bad debts and doubtful debts which was almost about more than 5 crores and then we have got some interests on ICDs and bank deposits which were about close to 57-58 lakhs. These are two major components which have come in this quarter.
- Ashish Shah:** That was very helpful sir. Similarly sir in Q4 also, we had a fairly large other income component of close to 5 crores, can you help me sir what was that 5 crores sir?
- Mukesh Dhruve:** Yes, in that quarter also we had some reversal of bad debts which I was maintaining that we have collected all those whole debt. So that itself was about 4 crores and interest and other things were close to about 50 lakhs.
- Ashish Shah:** And sir just one last question. What will be the CAPEX plan for the core businesses for this year?
- Mukesh Dhruve:** There is no CAPEX plan except the routine plan which will be not exceeding more than 10 crores and it also you know will be met from the internal generations and as such I think as Pramod explained in the beginning, we have got good capacities. We can very easily go up to between 600-700 crores depending on the product mix that we do. So up to we reach that topline level, I do not think there will be need for any new capacity for the current year unless till next year.
- Moderator:** Thank you. The next question is from the line of Dharmendra Grover from SBI Mutual Fund. Please go ahead.
- Dharmendra Grover:** Just one last question. What is the provision for bad debts that you would have made in this quarter and the fourth quarter last year?
- Mukesh Dhruve:** There is no provision for bad debt in both the quarters.
- Dharmendra Grover:** But as per the ageing policy, there is no provision which has been made?
- Mukesh Dhruve:** I mean it would be something very nominal insignificant amount. I would not say anything which is significant because there are more reversals we can see in both the quarters which I just answered in the previous question.
- Dharmendra Grover:** Yes, but those can be for different sets of debtors also. So it can be debtors for which reversals would have happened. It can be debtors for which provisions could have been made.



- Mukesh Dhruve:** To answer your question specifically, no significant. It would be in a few lakhs only, if at all if there is any.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.
- Mukesh Dhruve:** Good evening everybody. Thank you for coming back. It has been wonderful interacting with all of you and thank you for attending this concall. I think Pramod has covered most of it and as Pramod said, our focus is going to be both India as well as outside India and we can see education business growing in both these areas and this will continue to be our focus areas and of course RAPPLES is something which Pramod has explained in detail. That is a new initiative and our strategy which Repro has adopted and I think one of the good thing for a company like Repro India is to be in a very unique position where we are focusing on one segment which is education which is growing in India, which is growing in Africa, which both are I would say growth dominated areas and RAPPLES which is the new initiative that we have done is bringing in the new technology and how education will become very interesting, very unique and I think it will transform the entire way education is being done across the globe. I think this is the unique position that we are looking forward and we see good and exciting times in times to come. Thank you so much and have a lovely evening.
- Pramod Khara:** Thank you very much. Good evening to all.
- Moderator:** Thank you very much members of the management. 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.

