EDUCATIONAL CONTENT MANAGEMENT TO DELIVERY SOLUTIONS

November 2, 2018

To,
BSE Limited,
P. J. Towers,
Dalal Street,
Mumbai – 400001
**(Scrip Code : 532687)**

To,
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra Kurla Complex,
Bandra East, Mumbai – 400051
**(Scrip Symbol – REPRO)**

Dear Sir / Madam,

**Sub: Transcript of the Conference Call held on October 31, 2018**

Please find enclosed the transcript of the Conference Call conducted by the Company on October 31, 2018.

This is for your information and records.

Thanking you,

Yours faithfully,
**For Repro India Limited,**

**Kajal Damania**
**Company Secretary & Compliance Officer**

Encl: As above

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# "Repro India Limited
# Q2 & H1 FY2018-2019 Earning Conference Call"

October 31, 2018

**MANAGEMENT:** MR. PRAMOD KHERA – EXECUTIVE DIRECTOR - REPRO INDIA LIMITED
MR. MUKESH DHRUVE – FINANCE DIRECTOR - REPRO INDIA LIMITED

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**Moderator:** Ladies and gentlemen, good day and welcome to the Repro India Limited Q2 and H1 Earning 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 this conference, please signal an operator by pressing "*" then "0" on your touchtone telephone. 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:** Good evening everybody. I welcome you back to this Repro Concall. I will hand over to Mr. Pramod to take you through the presentation and then will look forward to answering your questions. I now hand over to Mr. Pramod.

**Pramod Khera:** Thanks Mukesh. Good evening everybody. This is Pramod Khera here. This time as we had mentioned in the previous call, we have uploaded the presentation on our website. I hope you had a chance to look at it. I will just run through the presentation once and then we can have question and answers.

As you are aware, this is the Q2 for this financial year for Repro, which is also end of the first half so we are doing Q2 as well as H1 review, this time. We have shifted our new facility in Bhiwandi and it is fully operational now and in the presentation in the second slide gives a snapshot of what facility would look after it is fully completed and branded.

Going to the next slide, this talks about the key strategies that we had talked about at the beginning of the year, so at the beginning of the year we had said that during the year we will be focusing to grow e-retail business, which has moved from a Q4 concept and wanted to create a platform for exponential growth. The focus would be on content acquisition and aggregation and intervening the reach to various channels. As far as the publishing service is concerned the print business focus would be again continuing the working with the right customers and mainly MNCs, domestic and global.

The financial consolidation and reduction of expenses that focus again continues throughout the year so with these objectives and re-strategies where are we at the end of first half of financial year. The next side we talks about e-retail. Some of few are regular on this conference call would recollect that during the year 2015-2016, we actually laid the foundation for the business and April 2017 at the end of year 2017 we were at a run rate of Rs.1.5 Crores per month then end of 2017-2018, which is April 2018, we clocked Rs.7.2 Crores per month and the end of first half of the current year that is October since today October 31, 2018 our estimated run rate is around Rs.12 Crores per month so like we have been saying we have not been growing, we have been growing month-on-month and now



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the platform has been created and we should see good growth coming in the coming quarter also. So this as far as Repro Books On Demand is concerned.

If you look at the financial performance I think the key highlight is that debt has reduced and has come down to two digits from a peak of Rs.236 Crores which was March 2017, it is down to Rs.98.24 Crores that is 58% reduction in fact over the last year that means if you look at Q2 of last year 2017, it is down from Rs.158 to Rs.298.24 Crores so that brings our total debt equity ratio down to 0.43 and if we just look at long-term debt equity ratio that is at 0.19 so this is financially quite a healthy position for us to be in and this allows us to open up investments in people, technology and also in expanding the Repro books in demand business by investing in the two upcoming demand facilities that we have been talking about one in Delhi and one is Bengaluru.

Moving onto the next slide again, October month on average we sold around 12000 books per day that is run rate, which has given us around Rs.12 Crores worth of revenues for the full month. Bhiwandi facility fully operational now and we have started working on Delhi facility. We are in the process of finalizing the premises and machines have been ordered. Soby end of this financial year Delhi should be operational and immediately after that next quarter Bengaluru also should be up and running.

At current level of Rs.12 Crores per month, we are able to meet all our operating expenses so that is again something positive though our focus remains more on topline at this stage to gain as much of market share as we can without really focusing too much on the bottomline we want to grow the business in the next 6, 12, 18 months and capture a large market share of the online books retail business currently. Those are channel that we are working with and you are aware that market itself is growing quite well. The books market is growing and online books market is also growing much faster than that and we want to have a sizeable market share in that space so that is our focus in the coming months.

We have a very strong relationship with Amazon currently we are putting a similar sort of relationship in place for Flipkart and Paytm is very cheap to work with us so these are three channels though we are selling on seven channels, three channel that we are locusing on currently. As far as print business is concerned, which is publishing services we are offering them value added services right from prim to print on demand content and fulfillment. This is leading to better predictability of the business, better realization as we can have seen the results, our EBITDA margin from this business are healthy und generating good positive cash flow for the company. Rapples continues in those 15 odd school that running in which is students were quite satisfied and teachers also and at then operating level we are breaking even there too month-on-month.

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Next two or three slides talk about the concept of end of Books On Demand business. Those of you who are regular participants in this conference call would be aware of this and just like to highlight here two to three things, one as next slide says, we are creating a disruption in the age old books industry and the publishers are liking it because now producing book after selling the book and which leads to a model where there is not much working capital which is getting blocked in inventories and stocks etc., so this is also through the technology platform, the publishers are able to reach leaders globally, one of course they are selling in India, but also with the platform that global connect platform that Ingram has created they are able to requested books into different markets globally too so reaching the right books to reader whether they want, whenever they want that so positioning that we have and that is what we are really talking to all our publishers and adding more and more publisher in the platform.

The next slide talks about the benefits to the publishers whether it is forecasting and whether it is investments, these are all nullified. There are no inventory, zero inventory, zero fixed cost, zero warehousing cost, zero returns of stocks from the market, zero loss in sales and zero obsolesce and so it is quite an attractive proposition for the publishers.

Initially once we start working with for the two tiles, they have realized benefit they are getting and then they keep adding more and more titles come from the catalogue. So that is the way we have been growing in the domestic market. So while India's book market currently is growing around 19% to 20% and over a period of two to five years expected to touch around $12 billion.

Online books market is also growing, current market is value at anywhere between Rs.1200 to Rs.1500 Crores and our estimate that it should touch Rs.8000 Crores on book market which is $12 billion, which is around 10% so 10% of the books we are seeing will get sold online where if you look at US more than 50% books have been sold online so that is a very conservative estimate and I am quite confident that the Indian books market would reach that level and we have tied-ups with Ingram, with Amazon, Flipkart, Paytm which I talked about and also we have most of the large publishers on the board like multinationals of Penguin, Oxford, Harper, Hachette, and Cambridge plus also significantly Indian ones like Rupa publications, Disha and Arihant, and everyday on daily basis we adding more publishers on board so this is the proposition that we are going into domestic publishers with and it is creating some sort of a disruption in the exiting way of their working and it is a positive disruption that they are liking.

Coming to the financial highlights quarter-on-quarter if you see compared to the same quarter of previous year, there is a good growth of 42% so we have clocked the revenue of almost a 100 Crores, Rs.99.25 Crores to be exact, PBT is Rs.4.34 Crores. PAT is Rs.5.38 Crores and these figure were 2.33 Crores and 2.54 Crores respectively in the same quarter of previous year. The debtors have come down to Rs.76.68 Crores, which is a significant achievement and which is less than 90 days of business because our debtors have come down to healthy collection and debt also has produced to less than Rs.100 Crores. Naturally financial cost also has come down to Rs.2.18 Crores which used to be Rs.4.25 Crores doubled that same quarter of previous year.

Looking forward for Q3 we have a healthy opening order book of Rs.73 Crores and the next quarter looks to be on a good track. If you compare this half with the previous half Rs.140 Crores going up to Rs.196 Crores topline. PBT growing from Rs.4.55 Crores to Rs.8.34 Crores and PAT doubling from Rs.5 Crores to Rs.10.71 Crores and obviously the interest cost of down from Rs.8 Crores to Rs.5.15 Crores.

These are the highlights for the performance in the first half compared the same period in the previous year.

The last slide in the presentation gives consolidated results for Repro India Limited and highlights I have already discussed and I am sure you have gone through this results and if you have any questions, please put them up right now and will be pleased to answer those. Thank you very much.

**Moderator:** Thank you Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ashwin H from A & S Investments. Please go ahead.

**Ashwin H:** Thanks for the opportunity and congrats on a good quarter. My first question was very simply actually if you can talk a little bit about your current capacity and utilization and what that would be by end of the year by way of new capacity addition?

**Pramod Khera:** As I have been talking in the past in the forum with expansion in capacity that we are doing at Bhiwandi in Mumbai and two plants that are going to come up in Delhi and in Bengaluru, we should have capacity to do 40000 books per day on a one book model. Now we are also doing one book and we are also printing some books in advance and keeping them in stock where we are seeing good visibility in the sense so far that different capacity has been used from the digital printing machines and that capacity is currently around 20000 books per day in Mumbai and we will adding similar capacity in Delhi also so that is where we are.

**Ashwin H:** Currently you have 20000 books per day not on one book per day model but on other model do I understand you right?

**Pramod Khera:** That is on the preprint model yes.

**Ashwin H:** Preprint model you currently have 20000 books per day, but you do not have any capacity on one book model is that right?

**Pramod Khera:** On one book model we have the Mumbai plant, which is up and running.

**Ashwin H:** With a Capacity of?

**Pramod Khera:** Currently the capacity there is around 6000 books per day, which has been enhanced to 12000 books per day.

**Ashwin H:** Got it and that will go to 40000 books per day once you have the Bengaluru and other new facility is that right?

**Pramod Khera:** One book will go to 20000 books per day and preprint will go 40000 books pre day.

**Ashwin H:** Preprint will go to 40000 book per day okay and currently what capacity utilization are you running at roughly on a monthly basis let say October?

**Pramod Khera:** Utilization is around 60%.

**Ashwin H:** 60% okay and the next question is I am attending this concall after almost a year it has been really long since I am attending the last one, last week we talked I do not think there was much competition. Have you seen any increase competition with the people trying to copy or model in the recent past or what is the competitive scenario looking like now?

**Pramod Khera:** There are lots of sellers for sending online and current people who are selling online, they are picking up books from the market and they are selling it from the publishers directly so they have inventory. They keep inventory with them and they sell, but there is nobody who has model of print on demand.

**Ashwin H:** Of print on demand and do you see anyone trying to come up and copy your model on this aspect?

**Pramod Khera:** I am sure there would be somebody coming in, but currently we do not see anybody.

**Ashwin H:** Final question I think the debt reduction has been great and wonderful right I mean how do you see that involving over the next year and year-and-a-half?

**Pramod Khera:** The thing is that we are investing in our new facilities and as I have been saying in the past for this investment we need around Rs.25 Crores to Rs.30 Crores. which we are also expecting infusion of funds from warrants that we issued last year of equivalent amount so that will not be required and working capital also same for the new business is negative working capital and we are not really growing the old business, the print business we will not require much limits on the working capital also. Now beyond this if you want to go and expand then there would be requirement for funds and that time we will see whether we want to raise more debt or not.

**Ashwin H:** Okay at this point you are saying the debt level will sort be maintained if I understand you right? Or is there a chance of it going down?

**Pramod Khera:** Yes.

**Ashwin H:** Maintained and when you say warrant converted I mean are you talking about the preferential shares, which are allotted to Kedia Investments and Malabar Investments or is there something else?

**Pramod Khera:** That is what I am taking about.

**Ashwin H:** Okay and those will be converted is that right?

**Pramod Khera:** I mean as for the terms, it will be converted after 12 months or before 18 months.

**Ashwin H:** Okay so you will be using funds from that source to fund you are expansion?

**Pramod Khera:** Correct.

**Ashwin H:** Thank you so much Sir. Very helpful all the best for the next few quarter. Thank you.

**Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** Good evening Sir. My question was more related from the cost perspective this quarters number versus last quarter. is not that gross margins have expanded by almost 600 basis points while because of increase in other expenses. there has not been any significant improvement in EBITDA margins on Q-o-Q if we look at the Books on Demand has seen a pretty descent growth even on Q-o-Q so just wanted to understand the cost structure?

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**Pramod Khera:** Like I mentioned over Books On Demand business, we are more or less breaking you at an operating level whereas the publisher services business is giving us EBITDA margins now that is remaining steady. That is not growing. We are not growing that business significantly. The business which is growing is Books on Demand business so as the topline and the results we are published up consolidated for both the businesses together. Growth in topline is having more from Repro Books on Demand and so if you take the contribution as a percentage from topline obviously will be shrinkage?

**Ankit Gupta:** Yes there is shrinkage. Sir but I am comparing on Q-o-Q basis. Q-o-Q other expenses has shot up from Rs.22.57 Crores to Rs.28.57 Crores while our Books On Demand contribution has increased if we look at the monthly run rate that we have?

**Pramod Khera:** No revenues have increased. Expenses you are talking about other expenses those also come in from the Books on Demand business.

**Ankit Gupta:** Sir similar question on that line so going ahead with contribution of Books on Demand increasing in our overall revenues how do you see the margins panning out over the next few years, let us say I am not even talking about the next two quarters and I am talking about let us say in FY2020 and 2021 so how do you see margins panning out in the overall company?

**Pramod Khera:** Like I mentioned in my presentation earlier, our focus for the next 12 to 18 months is to grow the business and to capture large market share and our focus is not going to be on the bottomline more on the topline so that we have significant market share before competition comes in. Once we achieve the scale and we have significant scale then we naturally easier to get better healthy bottomline so the publishing services business will continue giving us the margins that we are seeing and may be could be some improvement over there, but the topline growth that we have seen from Books On Demand will not really add much to the bottomline of the company for the next few quarters.

**Ankit Gupta:** Okay and let us say over the longer term do we expect margin of Repro Books On Demand and I am not talking about let us say 12 to 18 months let us say even in FY2021-2022 do you think the margins of Books on Demand segment can be in line with we are seeing for publishing business?

**Pramod Khera:** Definitely yes.

**Ankit Gupta:** Okay if we can be more than that or it will be around 10%, 12% kind of levels that EBITDA?

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**Pramod Khera:** These are early days, but definitely they would be quite healthy.

**Ankit Gupta:** Thank you Sir.

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

**Kumar Saurabh:** Congratulations on a good set of numbers Sir. I have few questions one question this subsidiary Repro Innovative Digiprint what is the business manages and there was approximately Rs.5 Crores of investment and not much revenues coming out of it, can you throw some light on that?

**Mukesh Dhruve:** Repro Digiprint was our 100% subsidiary in Chennai from where we are doing maximum business is coming because of the subsidiary, but the operating efficiencies were not making sense to continue with that subsidiary manufacturing in Chennai so we have stopped those operations because the capacity is very limited and all the print capacity has been shifted to into Surat now. So that subsidiary which used to be just give outsourcing unit has been completely stopped and if you notice in the last financial year we have also settled with everybody, all the workers which were there, which in terms of numbers about 89 so they have also been paid off last financial year and that unit has been closed down so there are no operations happening in Repro Digi subsidiary; however, second subsidiary which is what Pramod is taking about Repro KnowledgeCast, which revenue 100% subsidiary Repro India Limited.

**Kumar Saurabh:** The other question if I understand Q2 FY2018 in books online we met Rs.7 Crores of last PBT level, which has come down to Rs.1 Crores like we are almost break even and in next two to three quarters you will be going with Delhi and the Bengaluru facilities so do you see any spike in again losses getting worsen from here or like we will be more like on the same break even level considering what you commented on the focus on the topline?

**Pramod Khera:** Offsetting level definitely we should be able to keep break even. It is also a question of how fast you want to grow and while the investments in the two facilities are nature of the capex if we want to have a larger market share would grow much, much faster. We may choose to invest in marketing, in people etc., if that happens obviously the operating margins could come under strain, but currently the way we are progressing I think it operating we should be able to maintain breakeven level.

**Kumar Saurabh:** Sir one extending question let us say we gain market share, but let us say one year down the line for a customer who is ordering book, does it matter from whom he is ordering so how that retention of the market share will happen I mean just want to understand?



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**Pramod Khera:** It is more of retention of the publishers and their content with us. See we are created content depository and we are offering a whole range of services to the publishers wherein we are trying up them for a long-term so that is where that would give some edge over anybody coming in the future it will be very difficult for them to shift from us to somebody else with all the content that is lying with us and value added service that we are offering in addition to selling the books.

**Kumar Saurabh:** Sir one last question are you see lot of spike in the paper prices and that also gets reflected to some extent and cost of material sold so what is your view on that paper prices and do you see some kind of impact happening on future quarter results?

**Pramod Khera:** Paper prices you are right have gone up and I mean we do not take a view on paper prices because for us is a partial cost, publishers are aware of it, publishers also know that the prices have gone up and they are willing to give the additional cost to us when the prices increase.

**Kumar Saurabh:** With a lag you will be able to pass it to the consumer and that should not impact much?

**Pramod Khera:** Lag in maximum a quarter.

**Kumar Saurabh:** Thank you Sir. For the remaining question I will come back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Dhwanil Desai from Turtah Capital. Please go ahead.

**Dhwanil Desai:** Good afternoon Pramod. I have two questions so first is on the publishing business I think we have again scale back our margins to around 15.5%, 16% level, which we used to enjoy it was before 2015-2016, so how sustainable are these margins going forward and in terms of trajectory at this Rs.240 Crores to Rs.250 Crores kind of yearly run rate is what we should have in mind in for publishing business?

**Pramod Khera:** Margins are sustainable because currently now we have a fixed capacity and we have now entered into good long-term contracts with large multinationals and last publishers so we should be able to maintain those several margins in the publishing services business. As far as growing business is concerned, no we are not going any capacity, but there could be some growth coming in when we pick up orders and value added services to the publishers related to the content and fulfillment and print on demand. That is where the growth could come in.

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**Dhwanil Desai:** Okay and my second question is more on with respect to that e-retail part Books On Demand. I wanted to understand the unit economies as to let us say if average selling price our book is Rs.300-odd and then what is the kind of contribution margin that comes to us and then what kind of cost that sets below the gross margin levels. if you can elaborate that and that would be very helpful?

**Pramod Khera:** As far as margins are concerned it varies with the type of the book that we produce and the segment hook belongs to like academic. or trade or test so the contribution varies from as low as 2% as to as high as 30% for the international books also so it is huge variation and so we have our fixed overheads. which we try to cover up and like I said that we able to cover up during this quarter and going forward. which scale our overhead able to grow at the same pace at which topline is going and that should add to the bottomline after whatever investments are required for growth.

**Dhwanil Desai:** Sir when you say overheads it is only the overheads. which you will see below the gross margin levels all the cost related to the shipping and logistics and printing and everything is factored in the contribution level margins?

**Pramod Khera:** Yes cost of goods.

**Dhwanil Desai:** Thanks. That was very helpful.

**Moderator:** Thank you. The next question is from the line of Shreya Shah from Maitree Financial. Please go ahead.

**Shreya Shah:** Sir my query was regarding there is Repro POD business do publishers have their content only with Repro or with themselves or some other printer too?

**Pramod Khera:** In fact Indian publishers many of them do not have digital content so they require a lot of help and support to convert their content of digital content. which we provide them and if we do that then obviously the content resides with us and nobody else. but it is not exclusively arrangemem unless we are paying for the content conversions so they are free to give to everybody but that what I said was we are offering a full range of services right from offset printing to Print on Demand to fulfillment to e-books to distribution etc.. and there are no other player right now in the country who can offer that so there is a huge e disincentives for them to shift away from us however. they can obviously give their content to somebody else also.

**Shreya Shah:** Sir I would like to know what is the cost difference may be in percentage terms between printing say about 300 page multicolour book on demand or may be 100 numbers or 10000 number?

**Pramod Khera:** It is difficult to answer your question offered like this, because there are lot of variables involved in terms of type of paper and binding and whether it is four colour, two colour or single colour but as a thumb rule you can say that digital printing is more expensive than offset printing but for after printing you need to print at least 1000 to 1500 copies.

**Shreya Shah:** Correct so but can you give me if it was like-to-like one book and may be 1000 books so what would be per book cost differentiation?

**Pramod Khera:** Again like I said at this stage without the specs I am not able to give you but it could be may be half the cost. It could be in that range.

**Shreya Shah:** Thank you Sir.

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

**Amit Jain:** My question is regarding our K-12 vertical, so just wanted to understand any target may have set for this year?

**Pramod Khera:** K12 means…

**Amit Jain:** School book business.

**Pramod Khera:** Right now we are retailing those books and we are selling those books on Amazon, Flipkart etc. but in a small way because that market is more textbooks oriented where once a year the students buy based on the books, which are prescribed by the school. Now that academic season start normally by February, March, so currently apart from the retail selling of books from K-12, the low sale which is happening online for K-12 books. But going forward for the next academic year, we would be looking at tieing up the schools and offering the kits for books supply.

**Amil Jain:** If I remember it right on the last call you mentioned that you are already tieing up with schools, so just wanted to have a sense on that number, any progress on that front, so I understand that we are currently not selling any bundles right now, but if you can share any numbers with the number of things that you have tied up already?

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**Pramod Khera:** We have sales team on the ground which is approaching schools and talking to them, but like I said since the actual implementation will happen in February, March, the school tie-ups will happen only December onwards.

**Amit Jain:** Okay, got it. Sir my second question would be regarding investment in Delhi and Bengaluru plant so I believe you mentioned that total investment required for both the plants is Rs.25 Crores is that right?

**Pramod Khera:** Yes, Rs.25 Crores to Rs.30 Crores.

**Amit Jain:** Rs.25 Crores to Rs.30 Crores okay got it and Sir my last question would be regarding any major risks that you foresee in the near future may be one or two year time horizon, any risk that you see that might derail, the growth that we are seeing?

**Pramod Khera:** There are always risks to any business and the biggest is of course government policies. If the government policy changed all of a sudden and where the publishers are forced to rework on the content or publishers content is not accepted by the schools, colleges and in demand for private publishers goes down, so those are type of risk which always exists, but currently at this level on the academic side, it is a stable business and as far as trade books are concerned which is a fiction and reference books that is growing and more and more all the sales are shifting online, so there is the only risk could be the books going digital and e-books, so there also we have a platform and we are working with Amazon on suppling them e-books, so we are covered from that risk also and we are talking into Flipkart also, because they also want to get into e-books, so these are some other things which come to mind immediately.

**Amit Jain:** That is it from my side. Thanks for the answer.

**Moderator:** Thank you. The next question is from the line of Kushal Runghani from HDFC Securities. Please go ahead.

**Kushal Runghani:** Good actions have been taken to reduce the receivables and inventory management and also congratulations on that front Sir. My question was with respect to sequential comparison. When we see other expenses Q1 to Q2, it is shot up around Rs.6 Crores absolute term, so is there any adjustment as such or it is normal?

**Mukesh Dhruve:** If you take immediately Q1 to Q2 basically you see export business has grown from 15% to 35% in the traditional way. So when there is growth basically there has been freight and forwarding charges, freight and forwarding is diagonally proportional to the exports that you do. So since the export is grown so that has gone up and the export orders which we do out, we had to do some outsourcing also, so we had to make some outsourcing cost hence proportionally, there is a commission, which is payable on the export sales. So these are the three major reasons for which it has gone up and if you take the digital business, the publisher compensation has gone up slightly as well as e-retail charges. As the turnover grows up, it is proportionate to the turnover. If you notice the turnover has gone up from Rs.27 Crores to Rs.35 Crores, so actually both e-tail channel charges as well as publishers compensation have gone up, so this is directly in proportion to the growth of the business.

**Kushal Runghani:** Okay, so it is a combination of both reasons we can say.

**Mukesh Dhruve:** That is correct.

**Kushal Runghani:** Okay and on the digital, e-retail when we say Rs.12 Crores per month, we have reached revenue wise, so what is your view on that front I mean over the next three to four, five quarters down the line what you envisage, what kind of number it may reach to?

**Pramod Khera:** We do not give you a future guidance; however, from the past trend you can see the growth that we have been showing in this business and we are quite confident that this should be able to show good growth in the coming quarters also and the trend should continue.

**Kushal Runghani:** Thank you very much.

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

**Kumar Saurabh:** Sir, I have one question. Recently we are seeing the e-commerce sales it is picking up a lot even in Tier 2 and Tier 3 cities, so in terms of books and can you shed some light on how has been the experience in terms of share of revenue from Tier 1 cities versus rest of the India and how do you see the demand situation there?

**Pramod Khera:** If you look at the books market, the books market per se is going around 19% to 20% so that is one and secondly more and more book buying online is happening both from Tier 1, Tier 2 and Tier 3 cities also. So some of the channels like Amazon are quite strong in Tier 1, Flipkart is strong in Tier 2 and the channel like Paytm and ShopClues which are doing quite well in smaller places. So the growth that we are seeing on e-commerce is much, much higher than the growth in the books industry, so some estimates say that could be growing at 50% to 100% online books market. Currently the online books market is hardly 4% of overall books market and in the US it is 50% so that is the scope which is there. We expect it to reach at least 10% over the next two to five years, these are all estimates from various sources that we looked up the data and that is how we are looking at the market.



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**Kumar Saurabh:** Two more questions. One, do you see any kind of margin pressure coming from the e-commerce players like Amazon and Flipkart that is one and second at industry level is anything being done to handle piracy or are there any learning from develop nation to handle book piracy?

**Pramod Khera:** On the first question, yes obviously that is where we need scale. If we have scale and if we are large then we can withhold any pressure coming from channels for increasing their fees because they need us. It is a question of how soon we can attain the scale and become large enough where nobody can ignore us, otherwise it is always, in any business it is a game of negotiating and how you can negotiate and who is stronger and who can negotiate better. So to be in a better negotiating power, we should have one publisher behind us so that their supporters and we have all the publishers and all the books with us and we have the scale. Second question as far as piracy is concerned, yes that is a big problem in India, however, it has always been a problem in India with online channels like Amazon, Flipkart coming in, this is coming out in the sense that it is coming apparent how deep the problem could be, but the good part is that visible to the publishers. It is visible to Amazon, Flipkart and whenever they see any such activity happening on the channels, they can take action and they are taking action, so hopefully going forward this will bring in more transparency and more controls so that piracy is curbed in the country. Sorry just to add, the models that we have where we collect the files from the publishers and we print on demand. Now this is something which the consumer can be always sure that they can get authentic copy from us and it is a very, very transparent system that we have. Publishers also can see how many times they access the content, how many copies we have printed and that gives us the comfort that yes, their books are safe and that is one more reason that they want to work with us.

**Kumar Saurabh:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Vikrant Kashyap from Kedia Securities Private Limited. Please go ahead.

**Vikrant Kashyap:** Sir good evening and congrats on a good set of number. My question pertains to exports market. Sir can you please throw some light how exports are doing, how much revenue we did in last quarter and what is you view going forward?

**Pramod Khera:** Like Mukesh was mentioned in last quarter, we did total exports of Rs.35 Crores and for the half-year, the exports have been around Rs.48 Crores, so it is picking up, it is growing. Now the good news of course is that we are also broad-basing our export market, we are not focused on one country only and we are getting business from different countries from Africa, West Africa, East Africa, South Africa, so we are not putting all out EXIM one



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basket plus, we are being very, very conservative in accepting the business only where the business is secured, we are taking that type of business, but it is doing well now, it is growing.

**Vikrant Kashyap:** You seem that it is picking up in coming quarters?

**Pramod Khera:** The trend looks positive, so we should see some growth.

**Vikrant Kashyap:** We have order book of Rs.73 Crores, does it includes exports order or domestic?

**Pramod Khera:** It includes both export and domestic.

**Vikrant Kashyap:** How much would it be, can you give a split?

**Pramod Khera:** I will just give you the number.

**Vikrant Kashyap:** My last question is regarding of operating cash flow, what is the number for this quarter and H1?

**Pramod Khera:** If you look at the EBITDA, for the current quarter it is Rs.21 Crores as a profit PBDIT and interest of Rs.5 Crores, around Rs.16 Crores that will be the operating cash flow. And as far as opening order is concerned, Rs.61 Crores is from domestic and Rs.13 Crores is from exports.

**Vikrant Kashyap:** Okay Sir. I request if you can incorporate the breakup and operating cash flows numbers in the presentation that would be helpful for us?

**Pramod Khera:** Sure, we will do that.

**Vikrant Kashyap:** Thank you very much and wish you best of luck.

**Moderator:** Thank you. We have a followup question from the line of Ashwin H from A&S Investments. Please go ahead.

**Ashwin H:** Thanks again for the opportunity. Of your Rs.12 Crores monthly run rate, what percentage would Ingram titles contribute?

**Pramod Khera:** Ingram would be around 10% to 15%.

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**Ashwin H:** Okay and is there any reason why the contribution seems to be so low and given the amount to access to title visit that international titles are not that popular in India or what is the reason?

**Pramod Khera:** Our acquisition of title from domestic market is doing very well. We are getting right titles and a lot of publishers coming on board, so that is growing much, much faster and international books while we are listing them, we have to actually generate awareness of the books because books were never available in the country, so that is the process that we are going through and gradually the sales keep on increasing.

**Ashwin H:** Okay, got it and one small question, you think your order book is executed is in the next quarter is that right?

**Pramod Khera:** Not the whole of it, but majority of it would be executable in the next quarter and on your previous question on Ingram, so the international books are also expensive. So the price varies from Rs.1000 and going up to even Rs.25000 whereas the Indian market is very, very price sensitive, so the domestic books, the average selling price is around Rs.250.

**Ashwin H:** When we say 10%, 15% that is a value contribution and not a volume contribution.

**Pramod Khera:** That is the value contribution, yes.

**Ashwin H:** That is it from my side. Thanks again for the opportunity and all the best Sir.

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

**Kunal Parikh:** My question is how many Ingram titles have we uploaded till now?

**Pramod Khera:** In the month of October we did a major thing, so by end of this month now we have around close to 5 million titles.

**Kunal Parikh:** Okay, so there is more 8 million to grow if I am not wrong?

**Pramod Khera:** Yes that is right, it could be more.

**Kunal Parikh:** Okay, would it be fair to say that the next challenge would not be demand but acquiring content from publishers when we increase capacity?

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**Pramod Khera:** Yes, it is a combination of one, acquiring more relevant content and secondly also being present in more location, so be prevent in Delhi and Bengaluru, should also help grow our sales.

**Kunal Parikh:** Right, earlier in concall which you give how much books have we added to the Books On Demand project, but we have stopped giving that. It would help in the future because that would give us an idea of the capacity of company to get in content that way?

**Pramod Khera:** We can show that but like I said the number from Ingram is pretty high and the focus more is right now to get the relevant content from the domestic publishers to grow that business aggressively.

**Kunal Parikh:** Okay and our current focus is on market share and less on margins, but would the business then have pricing power and competition comes in because this is digital content which can go to competitors in form of files very quickly?

**Pramod Khera:** I tried to explain this in one of the previous questions. The whole idea is that if you have scale and you are able to negotiate by the terms of a publisher, to be able to negotiate with the channels and you can also then explore more and more channels for pushing the sales apart from online channels and since we are offering a wide range of services to the publisher and also helping them to convert their content into digital and plus giving them a platform globally for selling their books through Ingram, so this gives a huge advantage over any competitors that would come in.

**Kunal Parikh:** I will get in the queue.

**Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to the management.

**Pramod Khera:** Thank you everybody for participating and making the whole presentation interactive. Hope to see you again in the next quarter. Thank you.

**Moderator:** Thank you. On behalf of Repro India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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