



**“Repro India Limited Q2 FY16 Earnings Conference
Call”**

November 10, 2015



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Moderator: Ladies and gentlemen, Good Day and Welcome to the Repro India Limited Q2 FY16 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. I would now like to 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 the Repro India's con-call. In the outset, I would like to wish all of you a very Happy Diwali. And I am sure all of you must have seen the results that we have declared in the afternoon today, it has been uploaded and mailed to most of you.

We have taken a specific strategic direction that we had announced at the beginning of the year. I will just hand over to speaker to Dr. Khera, my colleague, he will quickly take you through the presentation and briefly discuss all the strategies that we allotted for this year.

Pramod Khera: Thank you Mukesh and Good evening to all of you. Wish you all a very Happy Diwali and a prosperous New Year. So we had sent out the presentation to everybody along with the results, so I will quickly run through the presentation and then we will take questions after that.

So as we had discussed in the previous quarter, the strategy of the organization is content aggregation to effective dissemination and I am going to just revisit that and explain as to what is the status of each of the new initiative, what is happening on the exports market, the domestic market and there have been some challenges in the current quarter which I will highlight and I will end with the financial highlights.

So as I am seeing on the content page, the progress update is that as far as strategic initiatives are concerned we are well on course on the strategic direction. First of all, content aggregation when we are talking, I will just revisit the definition of content aggregation that we had explained to all of you last quarter. So what Repro is trying to do is to bridge the in-between miles between the publisher and the reader, so right from content designing to digital warehousing, to content adaptation, to producing books and disseminating the content either on books or e-books on digital or in physical format. So that is the business that Repro is in and the next slide gives the entire value chain from the publishers to end reader that is student or the customer and what are the three different ways in which we kind of add value and deliver the content to the ultimate consumer.

Moving on, this we have also adopted as our positioning to the publisher, what we tell the publisher is that we are your gateway to increase business, so if you have your content in our repository we can find various means and various methods to disseminate the content, thereby improving or increasing the chances for you to monetize that content whether it is in the

*Repro India Limited
November 10, 2015*

schools or printed books or digital books, whether it is in India or in other countries like Africa and also on the e-tail, global as well as domestic markets.

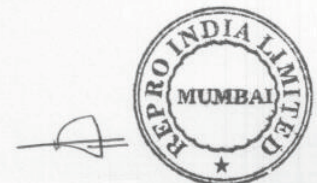
So the first initiative that we talked about was the e-retail opportunity which I explained quite in detail in the previous quarter. So there the main emphasis is to leverage upon the relationship that we have with a major publisher and build our content repository and we have invested in and set up the one book factory like I explained to you last quarter and that will be able to produce books on demand as and when the demand is generated on any of the e-tail sites.

The next slide is a very important one and which we have made an announcement that we have signed an agreement with Ingram, now Ingram is a \$2.3 billion Group and they are the largest aggregator of publishing content globally, they have close to 13 million titles for more than 35,000 publishers and they operate the one book model in North America, parts of Europe, in other parts of the world in different countries they are tying up with partners like Repro. So Repro became the eight global connect partner in India for Ingram whereby the titles that are available with Ingram for which they have rights to sell in India, they will be giving it to us and we will be able to put up those titles on the ecommerce sites in India and as and when demand is generated, we will be able to print one book at a time and deliver it to the customer.

So today also many of these international titles are being sold in India on the ecommerce sites through distributors, however these books are imported and as a result the books have a delivery time of three to four weeks, that's one. And secondly, they are not very cost effective because they have to be imported, there is a freight element involved and these are produced in the US, in UK etc and so they are a little bit more expensive than what it can be done in India. So that's an advantage that we bring to the consumer in the country, so this tie-up with Ingram.

Now going forward, the way we see it is that we today are already present on some of the ecommerce sites in India namely Amazon, Flipkart, Paytm and Infibeam and we intend to increase our presence on more and more ecommerce sites which are selling books. We have tested out that entire process and we have a few books, close to around 1,000 titles which are already uploaded on the sites. As we go along, once the integration with the Ingram platform happens we should be able to start listing the international titles also on these sites. So that is on the e-Tail side.

On the Rapples side, like we have been talking we have been making slow but steady progress and we have close to now 2,000 students in over 15 schools. If you look at the slide where we have given the pictures of students using the tablets, these are primary students in schools in Mumbai, State Board School. And then if you go to the next slide, we also have just recently launched Rapple in school called NPKT School in Vile Parle East, this is run by the SVKM Group which is the Mithibai college and other educational Group. Just two days back we had a



*Repro India Limited
November 10, 2015*

launch of this, we are going to introduce this to around 160 students in 6th, 7th and 8th grade, we will have books from all the subjects including the vernacular Marathi, Gujarati, etc. SE International I already talked about, Poddar where we implemented for 750 students from 6th grade onwards is a huge success where now their entire education and assessment is happening online digitally, we also signed up one more school which is IGCSE school in Powai called SM Shetty School. So like I said there is a steady progress and wherever we are implementing we are finding that the adoption is increasing in the schools, they are expanding it to more and more standards and more and more divisions and it is benefiting the overall learning process, the whole education process. So that is from the Rapples side.

As far as our exports business is concerned, like we had mentioned in the previous two quarters we were seeing some improvement in the overall business and which has resulted in better revenues as far as exports is concerned in the first six months compared to the first six months of the previous year. We have got some good large volume business from government mainly through the tendering process in countries like Malawi, Afghanistan, Madagascar, etc. We have opened up new markets in East Africa and the Francophone countries and also in South Africa. However, one impact of the tender business has been is that we have procured business which is not very high margin business unlike the rest of the exports business.

Coming to the domestic market, yes the domestic market is looking good and we are strengthening our relationship with our publishers, we have taken a conscious decision to service our strategic customers and to do away with customers which are not with us long-term, but keep on offering more and more services to the strategic customers. Also, what we had found was that there are certain customers where we are having problems in recovery of outstandings or with delays in recovery outstanding, so those type of publishers we have tried to avoid so that the whole domestic business becomes much more robust and we focus on providing value to the publishers. So this has resulted in a slight de-growth in the domestic business compared to last year, however this business what we have done today is much better in terms of quality, also in terms of because of focus on recovering of outstandings the number of debtor days as far as domestic business is concerned has come down from close to 140 days to 104 days.

In addition, there are certain multinational publishers like Oxford University Press, Cambridge University and Elseviers which operate in India to whom we have been servicing in India and we have a good track record with them. Recently, they had floated global enquiries for supply of books to other countries too, and you will be pleased to know that we have been selected as one of the preferred vendors for these publishers and going forward we are expecting business to come also from other countries for these publishers, in fact it has already started happening from countries like South Africa, Nigeria, etc. So that is on the domestic market.



*Repro India Limited
November 10, 2015*

After that I have one slide which talks about some of the challenges and what are the strategies that we have adopted to counter these challenges. First and foremost, looking at exports and looking at the debtors, like what we had attempted to do was to increase the business from exports which has gone from Rs. 62 crores to Rs. 95 crores in the first half this year compared to same period last year. However, we have been extra careful in ensuring that the business that we acquire is secure and also government business is normally secure, however, it has longer credit terms which has resulted in increase in debt as far as exports is concerned. Domestic business, I already explained, we have been trying to reduce the outstanding and it has come down substantially, however it has also impacted the sales which has come down to around 7% compared to same period last year.

Global uncertainties continue, there are headwinds that we are seeing mainly in the foreign exchange fluctuations, political uncertainty etc. So this has resulted in higher reliance on government tenders which has lead to lower margins as far as exports is concerned. In spite of these challenges that we have faced, we have not lost our focus on the strategic direction for the company and we have been spending for the growth of e-Tail business and the Rapples business and that like I explained to you in the previous slides is on track.

The next slide gives a financial statutory format and after that the slide gives a breakup of domestic versus exports. Like explained, exports has grown by 53% while domestic has come down by 7%, but overall we are seeing a growth of around 13% in the business.

Few highlights of the previous two slides, 13% growth in revenue, operating profit from Rs. 33 Crores has come down to Rs. 31 Crores and after Rapples and e-Tails that is down to Rs. 22.98 Crores. The total investment that we have made in the new initiatives in H1 including the first quarter and second quarter is around Rs. 8.45 crores and if you add this to the approximately Rs. 22 crores of investment we have already done in the previous two years, it has come to around Rs. 30 crores to Rs. 51 crores of total expenditures incurred on these initiatives which has been totally expensed out from the P&L.

So that brings me to the end of the presentation and now we invite questions from the participants from any of this issue which have been presented. Thank you very much.

Moderator:

Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have first question from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta:

So my question was more on the strategy that you laid out of moving towards exports from domestic, and given this rejig happening so what could we say a top-line ballpark we can reach and what kind of growth we can make, because domestic is offsetting the export growth. So just on a broad, how we look to grow and on the new initiative both if you can throw some light.



- Pramod Khera:** Yes. See, if you look at over the last two, three years, exports and domestic have been more or less equal on the total revenues and the previous year the exports has dipped due to various reasons which were discussed in the previous con-call session that we had. And we were pretty confident that exports will come back and so today exports is 45% of the revenues and domestic is 55%, so this was expected. And however, since we have been extra cautious on the type of business that we are acquiring, we have acquired business which is not that high as far as margins are concerned compared to the previous export business which had gone in the previous years. Having said that, on the domestic side also, while we are focusing on growth, we do not want to have any reckless growth. So going forward the print business, we will be sustaining this business and we see that both domestic as well as exports will contribute more or less equally to the overall turnover of the company and we would like to keep it like that for that and the business is more robust and less risky, so that we are able to focus more on growing the new initiatives. And I explained to you, both the initiatives are gaining traction now, the Ingram integration is in the process right now and by end of this quarter we should have that in place, next quarter we should start putting up those titles on the website end next year onwards we should see some contribution to the revenues coming from the e-retail side. Similarly on Rapples also the number of students are seeing a steady increase and they should start contributing something to the top-line in the next year.
- Ravi Mehta:** So any nicks you are targeting internally from the new initiatives as a portion of your annual business?
- Pramod Khera:** Of course we have our internal plans and this thing, but as a policy we do not give any guidance or do not give any future predictions and so I would not like to comment on that.
- Ravi Mehta:** And as far as the Rapples business is concerned, so is it breakeven or if you can share on that?
- Pramod Khera:** See, Rapples business whatever students we have currently they are all paying students and our attempt now going forward is going to be that every school will breakeven and become cash positive. However, what happens is when we start a school normally we start in one division or in one grade and then it expands to more number of students, for example there is one school in Noida which is KWS School, we started with 60 students and now it has gone up to 425 students. Similarly, SE International we started with 120 students, became 150 and then 300 more students we added, so like that it keeps on growing. Poddar 700 students which is from grade 6th onwards, now after Diwali they are thinking of adding even the primary section with another 300, 400 students. So it takes some time for a school, there is some gestation before we reach a stage when it becomes a breakeven and profitable.
- Ravi Mehta:** I was referring this because you mentioned the profit before tax excluding Rapples in your presentation, for Rapples and e-tail so I just wanted to understand why that figure is higher



than what the reported PBT is, so it means you are actually still spending money in that business or you are recovering or...?

Pramod Khera: So right now we are spending, that's what we said, we spent around Rs. 8.45 crores in the first six months on Rapples and e-Tail, the new initiatives which have been expressed out. So while we have removed it and showed it as operating profit after Rapples and e-Tail so that the traditional business or print business how that has performed that figure is arise from that.

Ravi Mehta: Sir and how long are we going to see this quarterly run rate of close to 4-odd crores I think generally we are spending?

Pramod Khera: So definitely this year it will more or less continue, however going forward in the next financial year since the new businesses will start generating revenues we expect that to slowly come down.

Ravi Mehta: Any outlook you can give, probably it can come down to a run rate of Rs. 2 crores, Rs. 3 crores a quarter or...?

Pramod Khera: Yes, I mean definitely our attempt is to bring it down and to make the new businesses self sustaining.

Moderator: Thank you. Our next question is from the line of Sharan Basappa from Karvy Stock Broking Limited. Please go ahead.

Sharan Basappa: Sir this loss of domestic revenues in order to reduce the debtors, is it a onetime event or is that sir?

Pramod Khera: See, like I said it is more of a consolidation in our business that we want to do, so some of the clients like I mentioned Oxford and Cambridge etc, we are expecting business to grow and to compensate for the businesses that we have not taken from the other clients. So by the end of the year I think we should be able to cover up this whatever loss that we have seen in the business of domestic.

Sharan Basappa: So this drop will be continuing for the next two quarters?

Pramod Khera: No, no so like I said, see as far as domestic business is concerned, quarter three and quarter four are the season times, so we expect good business coming in. However, overall business that we will do and since we are still spending on the new initiative we expect the quarters to be similar to what we have seen in the past.

Sharan Basappa: So but does this not impact on our relationship with our publishers and...?

- Pramod Khera:** See, we are strengthening our relationship in fact with the publishers, because the strategic publishers with whom we are now working, we are providing more and more services, we are giving them more avenues for monetizing their content which is accumulated in our repository and they are also realizing that having a professional relationship where the contracts, agreements are being honored it benefits them. And in fact what we are seeing is that we are working much more closer with these publishers, our relationship is getting more and more strengthened.
- Sharan Basappa:** And sir on the export side, like out of the total exports in this quarter how much was government order?
- Pramod Khera:** So if you see the first half we have done a total exports of Rs. 95 crores, out of which around Rs. 60-odd crores is government business.
- Sharan Basappa:** And sir I had one question, regarding the contingent liability which we have, so this was regarding due to this customs demand on the imported computers, so can you just throw some light on that?
- Mukesh Dhruve:** See, this is pertaining to the Microsoft business which we used to do quite some time back, the PC manufacturers like Wipro, HCL and others used to import the OTP kit directly and we used to supply them the COA label, COA is basically Certificate of Authenticity. I think what we used to supply is a Microsoft supplier from India. Now on that the government has taken a stand that Wipro and others had evaded some duties and they have sent them notices for evasion of custom duties, some notices have gone to them but because we have supplied them this COA label we have been made a party to the penalty part of it, and of course we have disputed because it does not have any violation of customs or anything. In the past something similar had happened and the company has won the case against the excise department on the similar situation. But this case, the implication is not directly on Repro India but it is on all these IT companies, and because we have supplied COA we have been asked, we have been labeled penalty on which we already filed an appeal and we are pretty confident of winning that.
- Sharan Basappa:** Sir and what are the likely chances of like this will be in our favor or something like that?
- Mukesh Dhruve:** I said in the past something similar has happened and Repro India has won the case. So we have won a similar thing in our favor already. So when the appeal comes that time we will get to it, it is very difficult to predict that, it is an appeal right now.
- Moderator:** Thank you. Our next question is from the line of Tushar Jamenis Union KBC Mutual Fund. Please go ahead.



- Tushar Jamenis:** Sir, I would just like to know more about the details of the agreement with Ingram and how does it exactly help us? I mean are we going to get access to large amount of books and what is the kind of potential that we see in this?
- Pramod Kherra:** See, like I mentioned we will be getting rights from Ingram for international titles to be sold in India and produced by us in our one book factory, so what that means is that from the content depository that they have they will talk to the publishers and the publishers will say okay these are the titles that you can sell in India and they will give us those titles. Now since we have created market places on ecommerce sites like Flipkart, Amazon, etc, we will put up those titles on those websites and as and when the orders come we will be able to print it and deliver within 24 hours to 48 hours. Today, like I mentioned, these titles are available on these ecommerce sites, however these are being sold through distributors and the way they are selling it is they are importing these books as and when get the orders, when they get the orders they import, so there is a three to four weeks of delivery time for these books. And as you know, on ecommerce the longer you delay a delivery the chances of that order getting cancelled are very high and there is a lot of loss of sales because people do not want to wait for three to four weeks for any product to arrive. So we feel that going forward if these titles are available to them within 24 to 48 hours, then the sales of these international titles will increase and we will be the single point supplier for all these titles in India.
- Tushar Jamenis:** So what are the kind of margins that you will enjoy in this business, just a rough guidance?
- Pramod Kherra:** So see, this business the EBITDA margins are pretty high compared to say our normal print business, but at this stage I would not like to put a figure on that. As we going forward, like I said we will be getting into full fledged operations of this business in the last quarter and the next financial year is the when the real impact will come and that time we will be able to see the type of margin that we are getting from these businesses.
- Tushar Jamenis:** Sir, another question is, out of the Rs. 92 crores of sales what is the exact breakup between exports and imports?
- Pramod Kherra:** So the total sales is Rs. 212 crores in the first half out of which Rs. 117 crores is for domestic which accounts to 55% of the total sales and Rs. 95 crores is for exports which accounts for 45% of the total sales.
- Tushar Jamenis:** And has this remained the same in the second half as well, roughly the figure is same for second quarter I mean?
- Pramod Kherra:** No, so if you see the presentation, the same period last year was Rs. 189 crores, so there is a 13% growth in the total sales and the export domestic composition was 33:67 vis-à-vis 45:55 this year.

- Tushar Jamenis:** So any view on how the export market is panning out sir, particularly the African market?
- Pramod Khera:** See, like I mentioned in my one of the slides, there are challenges in the export market especially because of the foreign exchange fluctuation, there are uncertainties as to what exchange rate is going to be and some of the African countries have got severely because the currencies have devalued quite a bit, there also have been political changes in many of the countries, elections have happened and also social unrest and things like Ebola etc. So there are challenges, however like I said education is one area which always remains a focus for these countries, they are getting funding from multilateral agencies to spend on education and as a result a lot of government tenders also are coming for education books. So while this challenge remains, we have been able to show an increase in the exports business in the first half and going forward we should see a steady stream of business coming from exports.
- Tushar Jamenis:** Lastly, in terms of CAPEX, how much have we spend in FY16 and going forward for the next two years can you give us a guidance on how much we will be spending particularly in Rapples as well as the other CAPEX?
- Pramod Khera:** See, if you look at the CAPEX, while in the first two quarters our spending has not been much, it's hardly been Rs. 2.5 crores. See, every year we have around Rs. 10 crores to Rs. 12 crores of maintenance CAPEX and in the e-Tail business we are expecting another Rs. 10 crores to Rs. 12 crores of CAPEX this financial year. And last year also if you see we had spent around Rs. 19.5 crores on the total CAPEX, so this year it will be closer to maybe Rs. 25 crores.
- Tushar Jamenis:** And out of which how much have we already spent sir?
- Pramod Khera:** Like I said it is hardly Rs. 2.4 crores.
- Tushar Jamenis:** And going forward for FY17 and FY18, any guidance on that?
- Pramod Khera:** It is a bit early, and like I said we do not give any guidance for the future.
- Moderator:** Thank you. Our next question is from the line of Ashish Shah from Budhrani Finance. Please go ahead.
- Ashish Shah:** Sir my question is, first of all do you think we are the bottom in terms of profitability for both segments of our business which is the domestic as well as export sir?
- Pramod Khera:** Well, see like I have mentioned both exports as well as domestic we have seen some pressure on the margins and that has been most strategic because we wanted to get a control over the debtors and we wanted to get a control over our cost of finance. So if you will see our performance in this quarter, our total loans have reduced from Rs. 223 crores last quarter to Rs. 216 crores, that's because of the focus that we have brought in terms of recovery of debtors,

then that is going to continue in the coming quarters also and the quality of business we want to improve, so that's the reason why you are seeing that there is some amount of pressure on the top-line as well as on the bottom-line. So we expect this to continue for the next two quarters and then next financial year we hope to see a better performance coming.

Ashish Shah: Since it looks like that the profitability for this year is going to be under stressed, sir any liquidity challenges Mukesh that you are facing, anything that you would want to share with us?

Mukesh Dhruve: No really, but Pramod has explained I think Ashish, one of the key things which we have realized is the number of debtor days both in export and domestic, and both have started coming down. In export since we have done some government business, the credit periods are a little longer as compared to normally what we give is 120 days, here we have got LCs going up to 150 to 180 days, so they are secured but longer credit period. So to that extent yes, as you must have seen the interest cost also has gone up, but not a challenge, I feel in the next two quarters they should come down within normal limits.

Moderator: Thank you. Our next question is from the line of Pritesh Vora from Incedo. Please go ahead.

Pritesh Vora: I am a little bit new to this company, I used to track earlier three four years back your company, but I have not recently seen last two years, so pardon me if any question I repeat here. Sir, what I understood from the presentation that we have in-country business as well as Rapples business, what is our top-line in all these businesses sir?

Pramod Khera: See, like I explained to you, our total top-line if you see for the first half is Rs. 212 Crores out of which exports is Rs. 95 Crores and domestic Rs. 117 Crores. So business of Rapples and e-Tail, the quantum of revues is miniscule, it is very-very small, it is not contributing to a top-line and this we are till now. However, like I explained going forward next financial year we should see some contribution coming from this business.

Pritesh Vora: And what should be the quantum, in the Rapples what can be the size of the business, opportunity size, I am not asking you to quantify the revenues but what is the opportunity size?

Pramod Khera: The opportunity size for both the businesses e-Tail as well as Rapples is huge, if you look at e-Tail today out of all the ecommerce business which is happening on various websites in India, 15% of the business is through the sale of books. Now if you calculate that, that comes to maybe Rs. 3,000 to Rs. 4,000 crores, because the exact figure of ecommerce keeps on changing on quarter-to-quarter basis. Having said that, that is the potential which exists and today that is being serviced through the normal channels of book distribution which are very-very inefficient, inefficient when we say then publishers have to print the books in advance, they have to stock, they have to incur inventory cost, the cost of obsolescence, etc., whereas the model that we are bringing it is accepted model globally and India also is transitioning

towards that model and we are the only organization in the country which has got this capability and the more of the ecommerce sales of books if you are able to garner, that depends on the number of titles that we are able to aggregate, that's why our focus is on aggregating more and more titles, one is international titles for Ingram, second is the title that we are acquiring from domestic publishers. So more and more of the ecommerce business we look to garner.

Pritesh Vora: So what is your exact role in ecommerce business, are you printing those books are you, what is your role in that?

Pramod Khera: So, our role is to make these titles available on all the ecommerce sites, so we are creating market place on Amazon, Flipkart, Snapdeal, Infibeam, etc and as and then anybody buys even one book, the order falls into our system, we have the printing rights from the publishers to print those books one book at a time and we deliver either to the ecommerce site for onward distribution to the customer or directly to the customer.

Pritesh Vora: So it is like selected books, maybe not the mass kind of printing and selling, selected books where the number of prints are less you can go individually print it and sell it to customer. So the 3,000 crores market is not the sizable market for our space, our space should be smaller market than the overall market, isn't it?

Pramod Khera: No, partly what you are saying is right, however going forward as more and more titles we will be able to acquire we will be acquiring both the fast moving titles as well as the slow moving titles and we should be able to then acquire more and more of that entire business which is happening through ecommerce.

Pritesh Vora: So this business you call as e-Tail, right?

Pramod Khera: Correct.

Pritesh Vora: And what is the present turnover of this particular business?

Pramod Khera: This is a new business which we have just started like I said, it is not contributing to the top-line of the organization at this stage.

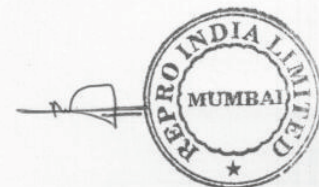
Pritesh Vora: When do you think it can be sizable reportable number, within which years?

Pramod Khera: Next financial year.

Pritesh Vora: And how about Rapples sir, can you just little bit explain on the Rapples business, how it is moving and what do you think?

- Pramod Khera:** The Rapples business what we do is we provide a platform to the school for delivery of e-books and conducting education in the school using those e-books. So whichever books we are putting onto the platform for that particular school, we are acquiring those titles from the publishers and the number of e-books copies that get sold, each book for example if the price is Rs.100 per book, we get a certain share of the revenues and the publisher gets a certain share of revenue. In addition to that, to the school we also charge service fees for the platform for the support. So per student the annual outgo could range from around Rs.1,500 to Rs.3,000 to Rs.4,000 per student which includes the cost of the books. So that is the revenue model there.
- Pritesh Vora:** And that you do in India or outside India also?
- Pramod Khera:** Right now it is only in India.
- Pritesh Vora:** And how many schools we have tied up with this?
- Pramod Khera:** Around 15-odd schools with 2,000 students.
- Pritesh Vora:** Total 2,000 students?
- Pramod Khera:** Correct.
- Pritesh Vora:** So sir this is a huge market, I know because every father spends some books for the children so how fast you can scale up this business, what are the risk and what are the threats you see in scaling up the business?
- Pramod Khera:** See, we are not a tech company so we are not in the business of selling technology and acquiring more and more students to come on the platform, we are not a content company so we are not in the business of selling content for education in the school, we are not a hardware company so we are not interested in selling tablets or devices in the school. We are a content aggregator, so we go to school and say that whatever content you are using we will give you the same content, same books from different publishers because we have got access to all the books. Similarly, whatever tablets you want to procure we can negotiate with the vendors and we can give you an iOS or Android or Windows based tablets. So while there have been a lot of examples in the past where tech companies have tried to acquire more and more students, that is not our objective, our objective is to ensure that the books are provided to all the students and to the teachers and they use it for the education process in the classroom, then it improves the quality of learning in the school.
- Pritesh Vora:** So is this hardware, I mean is this printed books or it is e-books?
- Pramod Khera:** E-books.

- Pritesh Vora:** E-books only?
- Pramod Khera:** Yes. And these e-books which have animations, assessments, videos, etc, etc.
- Pritesh Vora:** So what realistically you can scale up this business, you are saying 2,000 student, what growth rate do you see in this business?
- Pramod Khera:** Actually right now we are focusing only on the private schools, there are around Rs. 3 lakhs to Rs. 4 lakhs private schools in the country and if you take average 600 students per school you can see the market opportunity which enlists.
- Pritesh Vora:** So sir, do we have organization to target so many schools or what is our company goal sir, I know market is huge no doubt about that, but what is our goal, what is our milestone to achieve this particular area growth?
- Pramod Khera:** So we have, like I mentioned earlier also we have our internal goals and target and we are approaching the schools directly through our own sales channel plus also through our publishers, because many of our publishers have got good relationship with the schools, they are taking us to the schools and for example, one publisher which is Cambridge University Press supplies books to all IGCSE, and IB schools in the country. We have an exclusive relationship with them to provide the solution to these schools and that's how we have found this Poddar School and SM Shetty School that I was talking about. There are some maybe 200 to 300 such schools in the country which are just IGCSE and IB Schools, plus there are CBSE Schools, we've got content from publishers from CBSE, ICSE and also state board schools.
- Pritesh Vora:** So do we see some 20%, 30% growth year-over-year?
- Pramod Khera:** Like I mentioned, we do not give any guidance but also we have been building up this business over the last couple of years, this as well as e-Tail and we have reached a stage in both the businesses where next financial year these businesses should start contributing to the top-line of the company.
- Moderator:** Thank you. Our next question is from the line of Ankit Kaur from Systematix Shares. Please go ahead.
- Ankit Kaur:** If you can highlight how is the competitive scenario in Rapples business and even at the export side of the business who are the global competitors to us? Thanks.
- Pramod Khera:** In the print business?
- Ankit Kaur:** Yes, first of all Rapples business if you can highlight in India how many companies are...



Pramod Khera:

See, Rapples like I mentioned, the different companies which are trying to approach the schools through different angles, there are hardware companies, there are content companies, there are app tech companies. Now our approach is different because we are a content aggregator and what is our USP and what is our differentiator from other competition is that we have access to content from publishers. So when we go to a school we do not thrust upon the school any new content, we say that whatever content you are using, whatever books you are using we will give you the same books. So see the problem in any such implementation in the school in such technology intervention school is that the teachers are the biggest tumbling block and teachers they have been used to teaching from particular book for last five to 10 years they do not want to change because they do not want to use content which is created for a particular grade by somebody because they are used to teaching from a McMillan book or a Jeevandeep book or a Navneet book. So that is our advantage and so our approach is minimally invasive, indisruptive in providing content which the teacher decides you want. I said there are other competition which are approaching it from different angles, some of them are successful partly, some of them are but beyond a point the school does not believe in like I said just acquiring technology for the sake of technology from tech companies or hardware just for the sake of saying that I provide tablets to the students or content unless and until it really adds value to the entire education process and this is what we are trying to do and differentiate from the rest of the competition in the market.

Ankit Kaur:

And sir what kind of margins we enjoy in Rapples business and e-Tail business, possible to give?

Pramod Khera:

Like I said, compared to our print businesses these businesses have a much higher EBITDA margin, it is higher than 20% but at this stage it all depends on how soon we can reach the critical mass so that we are able to cover our fixed cost and get into a zone where we will be able to start contributing to bottom-line of the company.

Ankit Kaur:

And sir at a global context, who are the competitors in terms of similar business model like Rapple has even at printing side of our business at a global level?

Pramod Khera:

So see Rapples like I mentioned there are companies even globally which are looking at this market in various different formats, however the way we are implementing it, we have demonstrated it and we have shown it to a lot of education institutions even outside India and they are finding that this is a model which at least appeals to them and this is something which is new and we have done a lot of pioneering work in this space, we have reached a stage where we are finding in some schools where we have implemented this, in the second year have not bought printed books, they switched completely to e-books, so that shows that this is successful. And while right now we are focusing only on the domestic market, we feel that since we have access to good content from publishers even in the African market, that could be our next destination as far as Rapples is concerned. So print, if you look at the competition in

print in India we are the largest exporter of books, there are other printers from India who tried to approach the export market but a very few have been successful the way we have been successful, otherwise we face competition from printing companies in Malaysia, so from Malaysia, a little bit from China and Middle East.

Ankit Kaur: And sir how do we tackle this, planning to tackle this, as you have said teachers are a bit reluctant to accept making students learn from the tablet thing, so what initiatives we are taking towards that?

Pramod Khera: So that is very important, so what we do is our emphasis is on training the teachers, so first we give them the books that they are used to teaching from, secondly we ask them what else do you use for teaching, so if they have any content of their own like they have say PPTs or if they are using any test assignments etc, we put everything on the platform so that their own content comes on to the platform, we give them extensive training, we also give them mechanisms to control the class. For example, all the students using tablets, the teacher's tablet with one click she can silence all the tablets, so she feels that she has got full control over the class so she is not worried that she does not know what the students are doing on the tablet and also even if all the tablets students are using, on her tablets she gets a dashboard where the screens of all the student tablets are displayed on her tablets so she knows what which student is doing. So these are some of the things which give her the confidence that yes she is in control of the class and we put a person full time in the school who handles the teacher, how is present there in case she comes across any problems, so that they are helping us to surmount some of the hesitation that the teachers have in implementing the technology solution.

Moderator: Thank you. We have follow-up question from the line of Pritesh Vora from Incedo. Please go ahead.

Pritesh Vora: This Rapples business sir, you mentioned that we have enrolled 2,000 students, now does that student continue after like say because every year the student class moves to higher class, so whatever student you enrolled in the last year do they continually go in the next year also, how it works?

Pramod Khera: So next year they get new books on the same tablet for the new grade and it continues like that, in fact most of the schools where we implement it they add more standards also and more divisions also.

Pritesh Vora: So sir what kind of operating margin it has in this school because you have to maintain some sell staff, you have to, what kind of operating margin you can see in this particular venture?

Pramod Khera: Like I mentioned, overall margins in the business are good and once we reach the scale we should be able to see very good contribution to the bottom-line as far as the EBITDA margins are concerned from this business.

- Pritesh Vora:** But do you have this onroll sell staff who can approach new schools to enroll and that?
- Pramod Khera:** Yes, yes we do all that plus we also go to schools through our publishers.
- Moderator:** Thank you. Our next question is from the line of Rahul Bansali who is an Individual Investor. Please go ahead.
- Rahul Bansali:** Sir can you give a breakup of the order book between domestic and exports?
- Pramod Khera:** The closing order book for this quarter is 46 Crores, domestic is 34 and export is 12.
- Rahul Bansali:** And when you compare it to last year, how does the figure look, so if we see for Q3 FY14 what was the figure like?
- Pramod Khera:** Exports was same around 12, domestic was higher around 52.
- Rahul Bansali:** And in terms of the exports, do we still plan to go for the government tenders or do we look to do more business with publisher directly?
- Pramod Khera:** We expect more business to come from publishers in the coming quarters.
- Rahul Bansali:** And sir what were the revenues on the print on demand business?
- Pramod Khera:** Print on demand for the first six months is around Rs. 12 crores.
- Rahul Bansali:** And the same figure last year sir, if you could provide that.
- Pramod Khera:** It is slightly about Rs. 10 crores.
- Moderator:** Thank you. That was the last question from the participant, I would now like to hand over the floor back to Mr. Mukesh Dhruve for his closing comments. Over to you, sir.
- Mukesh Dhruve:** Thank you once again everybody. Thank you for participating and coming to this con-call. We truly appreciate your participation. All I would like to end with is that these are exciting times for Repro India, as Pramod has already explained I think Ingram the agreement that we have signed we can see very-very good times to come in the near future, Rapples and all the other businesses that we are doing in the print also looks to be good and I wish all of you a very Happy Diwali and to everybody a Saal Mubarak.
- Pramod Khera:** Thank you and Happy Diwali to all of you.
- Moderator:** Thank you very much sir. Ladies and Gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.