

November 15, 2016

To,  
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K/A: Ms. Pramila

Dear Sir / Madam,

**Sub: Transcript of the Conference Call held on November 11, 2016.**

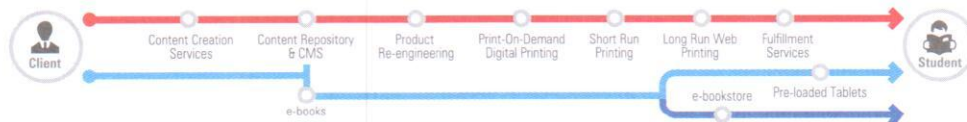
Please find enclosed the transcript of the Conference Call conducted by the Company on November 11, 2016.

Kindly acknowledge receipt.

Thanking you,

Yours faithfully,  
For **REPRO INDIA LIMITED**

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# “Repro India Limited Q2 FY-17 Earnings Conference Call”

**November 11, 2016**



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



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**Moderator:**

Good day ladies and gentlemen and welcome to the Repro India Limited Q2 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mukesh Dhruve from Repro India Limited. Thank you and over to you sir.

**Mukesh Dhruve:**

Good evening everybody and welcome back to this conference call of Repro India Limited. I welcome you all back to this quarterly and half yearly results that we announced today in the afternoon and as all of you are aware, Dr. Pramod Khera has already sent a presentation and I would like Dr. Khera to take you all through that and then we will answer all the question and answers and over to Dr. Pramod Khera now.

**Dr. Pramod Khera:**

Thanks, Mukesh. Good evening everybody, I will run through the presentation which hopefully you would be having in front of you and then we will take your questions. To start off, in the first slide we just put the contents of the presentation.

So, we will talk about all the four businesses that are E-Retail, Rapples, India and Africa and then rip to the financials. There is a slide which has an Executive summary; it talks about the annual strategic direction for the current year. This is what we had stated right in the beginning of the year; that this is going to be the strategic direction for the company where the two new businesses; E-Retail and Rapples and we are taking them from 'proof of concept' to 'proof of delivery' and for E-Retail creating a platform for exponential growth and for Rapples, striving for breakeven and then growth. As far as existing businesses are concerned, focusing on consolidation; consolidation of the right customers, financial consolidation, focusing on MNC publishers but for domestic I believe global businesses and focusing on cash flows, collections and also reduction of expenses. So, where are we on these; one by one let us take up.

Before we get into one by one each business, there is one slide which is the overall summary. So, on the strategic direction; yes we have progressed well on the E-Retail front as well as on the Rapples front and the domestic business. We are seeing strong headwind from export side, especially Africa we are not seeing any kind of recovery, the currency stabilization there were issues in the market that we have been operating in, as a result of which, since we have been very careful about taking on business from Africa, the exports this quarter have been quite low because with the overall revenues in this quarter are 18% lower as compared to the previous quarter. However, we have been consistently carrying on with our cost reduction and cost control measures. So, in spite of reduced turnover, we have been able to maintain the similar loss registered as the last quarter at around Rs. 5.5 crores.





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Coming to E-Retail, the next slide which gives the schematic of what we are trying to do in this business, basically what we are saying is that we are taking titles from publishers and these we are trying to reach to readers in India of course and all over the world. So, this model has been explained I think over the last 2, 3 calls. I am not taking through details but this slide was just to refresh that. So where are we on the E-Retail business; the next slide gives two graphs. See the core of the business is what, we are taking titles from publishers and we are selling them on the various E-commerce channels in India which includes Amazon, Flipkart, Snapdeal, paytm, Shop clues, Infibeam, ebay, etc. So, last conference call, we were at two lakhs titles, today we have four and a half lakhs titles. So, the number of titles that we are adding, obviously gives us more opportunities to sell these titles, so our revenues also have been increasing accordingly, we have reached a run rate of twenty lakhs per week as compared to ten lakhs per week which were there in the last quarter and two and a half lakhs per week in the quarter before that. So there is a good growth that we are seeing and we are quite confident that we should be able to take this much higher and maintain the trajectory that we are showing over here and one gives us the confidence as: 1) that we have strengthened our relationships with one of the major E-Retail channels in India which is Amazon, we have become platinum seller and when we say our PSP (Platinum Seller Partner), what does it mean? It means better terms, from Amazon in terms of the cost, it also means better support from Amazon in terms of figuring out what we are selling, how they are selling, how to increase the sales and how to promote and a lot of analytics and lot of support coming from Amazon on that. Ingram also our relationship is progressing very well; we are one of the leading global partners now and they are throwing in their weight behind us, they are trying to see how we can promote more and more International titles in India. Publishers also today we have more than 70, 75 publishers from India which have come on board. These publishers now are seeing the value that Repro will be able to provide as a fully integrated solution provider which is helping them increase their business. So, they are seeing an advantage in coming on board on the E-Retail platform and we should see more and more publishers signing up in the coming months. That is on the E-Retail.

Now the type of traction that we are seeing on E-Retail obviously has taken a lot of the management attention to this business and we are putting in all that we have to grow this business, as a result of which Rapples has taken slight backseat but however, Rapples is still, we are still sustaining and we still have the schools in which we have successfully implemented, we are doing a lot of work with Cambridge and trying to see how we can get into more schools. We are doing a highlight of 'proof of concept' for the government of Karnataka in a government school near Bangalore which is being monitored by IIM Bangalore and overall the solution is quite well received. If you see the next slide, the testimony is a repertory here from Podar School where we have been running for almost two years in all the solution and this is a feedback that we are getting from the Principal, from the teachers, from the students as to how the whole solution is benefiting them. So going forward, this school obviously is very happy with the solution and we are trying to see how we can extend it to



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chain more number of schools in the chain and more number of students in the schools. That is as far as Rapples is concerned.

Coming to the India business; the print business in India. We have implemented the three prong strategy there: 1) is the focus in the right customers, 2) focus on MNCs and 3) make sure that we get our moneys from our customers, so stringent cash flow measures. Now this has resulted in an increase in the domestic business, Q2, Q1, though Q1, Q2 are not really the quarters in which we get good domestic business. These quarters have traditionally been more for export business but the quarter 2 for domestic business has grown by 13%. More important is that we have secured orders worth Rs. 92 crores in quarter 2 which are getting executed partly in quarter 2, partly in quarter 3 and may go up to quarter 4 also and out of this if you can see, two big orders, one from Oxford University press and another from McMillan. They are both multinationals, this is the result of our multinational focus and this is giving us some sort of visibilities to and we are able to also feed our machines and utilize the capacity. So, since we are focusing on the right customers and MNCs, we are able to reduce our debtors which have come down to Rs. 67 crores, is for domestic business only and in terms of number of days from 155 days to 123 days. This is on the domestic business.

Africa is like I mentioned in the beginning, it remains a challenge and though we are focusing on reducing debtors on collections, we have managed to bring down the debtors by around Rs. 12 crores from Rs. 87 to Rs. 75 crores in last quarter and we are have got orders from existing clients but since we have got receivables from them, we have not taken those orders, we have not executed those orders, as a result of which we have just done Rs. 15 crores worth of business from Africa in quarter 2. So, this has obviously affected the overall results of the company and the revenues have come down. So, exports, let me just take a little bit of time to explain to you what is happening on the exports front, while there are issues in terms of slow recoveries of debtors, the political situation in different African countries is not conducive for education growth, there is lot of change of policies, low demand, lack of government tenders. Nigeria, especially we are seeing the non availability of foreign exchange, exchange rate fluctuations. We were executing some tenders in the past which have not come this year.

UBEC, this is one of the largest education program in Nigeria, this is awarded by the government every year and in the past we have been doing \$8-10 million worth of business on this one project alone, this has not been awarded by the government for the last 3 years. Even the World Bank kind of multilateral agencies, funding has dried up, so this is the overall situation as far as Africa is concerned but if you go to the next slide, our focus remains on collection and which as I have explained to you, our debtors have seen a reduction and we are quite hopeful that we should be able to continue this trend in the coming quarters. So, Africa has been one of the major markets for Repro in the past and every year Repro has been winning the award for the largest exporter of books from Capexil, in fact for the last 8 years.



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If you see in the current year also, with the reduced turnover we would be the largest exporter of books from India that means we have not lost out any business to competition and we have an excellent relationship with the publishers over there, even the money which has stuck with the publishers, we are very sure that we will be able to recover those moneys because the publishers are willing to pay us, it is only that the bank loans have foreign exchange to give us the money.

So, and now we are seeing that, the whole market over there is reaching the stage where we should see a turnaround sometime in the future, maybe short term or medium term but it should happen pretty soon and whenever it happens we are geared up to take advantage of that. We have the capability, we have the relationships, we have all the market intelligence in place, so as far as the exports business is concerned, we are not saying that we are going to get out of those businesses. No, in fact this will remain as one key part/key segment that we have been addressing and once the market conditions become more conducive for doing business, we should be able to revive this business in the future. So, that is what I wanted to give message as far as Africa is concerned, so that completes my presentation as far as the strategies for the different businesses e-Retail or Rapples in domestic and Africa is concerned.

A quick look at the financials; revenues are low as you can see this quarter exports constituted only 23% of the overall revenues and which was 44% the previous quarter, if you look at the full half year, exports is 34% vis-à-vis 45% in the previous year, first half. Despite the turnover coming down to Rs. 67 crores compared to Rs. 81 crores last quarter, we have been able to control our cost. So, if you look at the cost that I have put down over here, employee cost, the other overheads, the other expenses, finance costs, we are seeing reduction everywhere. In the first half of the current year, Rs. 23 crores employee cost compared Rs. 26 crores last year same half period, in fact in the current year even quarter on quarter there is a reduction, on Other Expenses, on Finance costs, overall this year itself we are seeing a reduction of Rs. 10-12 crores, so this trend is going to continue, the focus is going to remain on reducing of cost and we should be able to see more benefits in the coming quarters ahead of this.

And collections, the next slide talks about our focus on collections is bearing results; the debtors which were Rs. 166 crores in the beginning of the year have come to down to Rs 142 crores; exports Rs. 75 crores and domestics Rs. 67 crores. Consequently, our borrowings have also come down from Rs. 231 crores to Rs. 206 crores and the finance cost from Rs. 412 lakhs to Rs. 371 lakhs. So, if you see overall business, domestic is on a good wicket, we are growing the business, if you look at our order book today we have close to Rs. 75 crores of orders in hand for this quarter 3. This is compared to around Rs. 48 crores that we had same quarter previous year and Rs. 27 crores in the previous quarter of the current year. Quarter 2 our opening order book was Rs. 27 crores which today is around Rs, 75 crores, so it is quite a healthy order book.



The components of exports is low and hence because exports has a lower margin than domestic, there is a strain on the profitability but if we are able to get some good export orders just for the next quarter, profitability should jump up. At the same time, the focus on cost control remains, so we should be able to sustain the improvement in the bottom line going forward. The new business of E-Retail, as I already explained to you, we are growing that quite aggressively and we see a similar trend in the coming quarters also.

So, with that, I would like to conclude my presentation. The last slide just gives the one pager, which all of you have seen on the results of the current quarter. Thank you very much for your patient listening and we are open to take any questions from any of the participants on conference call.

- Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Nishit Rathi from Trust Capital. Please go ahead.
- Nishit Rathi:** Sir I missed the order book number, can you please share the order book for domestic and export this quarter and how was it the last quarter?
- Dr. Pramod Khara:** The order book for quarter 3, opening order book is around Rs. 75 crores, which was in the previous quarter Rs. 27 crores. So, beginning of quarter 2 it was Rs. 27 crores and quarter 3 last year, opening order book was Rs. 48 crores, the comparable quarter last year was Rs. 48 crores, now look at the breakup, now most of this Rs. 75 crores are from domestic right now, exports is hardly Rs. 3-4 crores.
- Nishit Rathi:** And of this, would you be able to quantify, you have mentioned certain MNC orders which have been won, so what would that be?
- Dr. Pramod Khara:** So like I mentioned, out of the Rs. 92 crores of domestic orders that we have got, close to Rs. 50 crores is from MNCs. And which we have started executing and we should be able to complete that in this quarter and maybe a little bit in quarter 4 or so but in the meantime, there are some more MNCs from whom we have got order in Q3 also.
- Nishit Rathi:** So, on an overall basis for the full FY17 what could be expected from the MNCs business?
- Dr. Pramod Khara:** Difficult to say the exact this thing but today in the domestic business we are seeing close to 50% of our business coming from MNCs.
- Nishit Rathi:** And is it safe to assume that this year was just a start and you started late, so next for the full year this business could be doing much better?
- Dr. Pramod Khara:** Definitely in fact with the MNCs, see there are two parts to it one is the business we are doing in India and secondly the business we are getting from the global unit for the MNCs, like

South Africa, East Africa and UK, etc. So, even that has started, so the majority of the exports business that we are doing today is also from MNCs. So, the relationship that we have built up with the MNCs started over the last 6 months to one year that will result in business both in India as well as from exports.

**Nishit Rathi:** And in the Rs. 50 crores order that you said, out of the Rs. 92 crores Rs. 50 crores is MNC that includes the global part also or that is yet to start yielding results?

**Dr. Pramod Khara:** That is only Domestic.

**Nishit Rathi:** That is only domestic, so the global part of it is yet to start into show results.

**Dr. Pramod Khara:** No global also, like whatever Rs. 14 crores of exports business that we have done this quarter, most of it is from MNCs.

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

**Rahul Bhansali:** Sir could you talk a bit about the domestic printing industry and how are the smaller players coping up with the scenario right now?

**Dr. Pramod Khara:** See the domestic printing industry traditionally it has been a highly unorganized industry and if you look at the large players for the printing of books, there is hardly anybody the size of Repro. So Repro is the largest printing company as far as books is concerned but there are other players which are in the range of maybe Rs. 25 crores to Rs. 50 crores to Rs. 100 crores, maximum Rs. 100 crores and the market is not giving good returns and then good margins. And then many of them have closed down or are up for sale but what we have feel is that if we are able to offer to the local publishers a comprehensive and a complete solution that is what attracts the publishers and today with our E-Retail platform, that tried to have complete solution that we are able to offer where we are taking their content, we are working on the content and then we are printing either short quantities, the long quantities is also selling them and generating revenues for the publisher; that is what is attracting them to us and that is where we are seeing our domestic business growing. In the future also we will see more and more publishers who are printing with us; we will also be selling the books.

**Rahul Bhansali:** After two or three years, do we see the capacity in the industry going down significantly?

**Dr. Pramod Khara:** I mean we do expect some consolidation to happen but I would not really say the capacity would go down but consolidation definitely is on the card.

**Rahul Bhansali:** And then in the E-Retail business, I believe that Ingram has access to a lot of titles, so do we also get access to all those titles?



- Dr. Pramod Khera:** Yes, so see currently what happens is that Ingram whatever titles they have, the publishers if they want to sell them in India they give the rights to Ingram to sell them in India and then those titles come to us, so many of the publishers we are approaching jointly, Ingram as well as Repro and saying that okay India is a big market, we are explaining to them our capabilities and how it is going to increase, everything and then those publishers come on board. So many of the publishers know about India market, they already given us the titles. The publishers who do not know about the India market, we approach them and we convince them and we are getting them.
- Rahul Bhansali:** Have we faced any sort of issues with getting the publishers on board with this?
- Dr. Pramod Khera:** No, in fact many of them are very keen and like I said, see India today is the third largest market as far as English books are concerned. And it is just a question of making the publishers aware that this is a big market, making the publishers aware that the print quality that they will get from Repro is equal to International standards and once they get convinced on that, they are quite keen to give us the books.
- Rahul Bhansali:** Okay, so after one or two years, you would see the number of titles that we have going up quite significantly, right?
- Dr. Pramod Khera:** Yes definitely, in fact you can see from the presentation which I have sent, we already reached four and a half lakhs and next target is 1 million. So let us see, how soon we can reach there.
- Rahul Bhansali:** Have we started getting fees from Ingram for the books of the Indian publishers?
- Dr. Pramod Khera:** We have just started that, we have just put around 1500 titles from India, we are testing it out. I think another quarter or so, we should be able to start seeing some traction over there.
- Rahul Bhansali:** Finally on the Rapples business, this new project that we have from the Government, is that only for that school or do we plan to expand it to other States and Cities as well?
- Dr. Pramod Khera:** So that is the 'proof of concept' pilot that we are doing in one school and if everything goes well and if they are satisfied then they will extend it to a small cluster of schools in one district and then take it probably into the entire State. And once we do it in one State, we can always take it to other States.
- Rahul Bhansali:** And the kind of revenue that we get from a Government project is similar to the ones we get from Podar and such schools, right?
- Dr. Pramod Khera:** No, it will be lower but because of scale is much higher, so our cost also will be accordingly much lower.

- Rahul Bhansali:** And still the returns that we should enjoy in that business, so it should be much better than what we enjoy in the old business, right?
- Dr. Pramod Khera:** Yes, I mean compared to printing definitely that will be a better option stuff.
- Rahul Bhansali:** One last question; I wanted to confirm this; so our working capital requirement in both the new businesses would be zero or close to zero, right?
- Dr. Pramod Khera:** Yes, see as far as E-Retail is concerned, it is zero because there we get the money upfront and Rapples also there is no upfront investment or there are no other upfront expenses that we have to incur except for salaries of people, nothing else.
- Rahul Bhansali:** So the working capital would be zero only for both the businesses.
- Dr. Pramod Khera:** Yes.
- Moderator:** Thank you. The next question is from the line of Ashwin H., who is an individual investor. Please go ahead.
- Ashwin H.:** From your split of E-Retail in terms of the books sold, I know these are early days but what is the rough split between Indian publishers and Ingram publishers?
- Dr. Pramod Khera:** In terms of sales, the number of units should be 50-50.
- Ashwin H.:** And then purely from an Indian publisher's perspective, the publishing Industry itself I think is upwards of 9000, 10,000 publishers and I think in the last conference call you said that you people had signed up 60 publishers. I just wanted to get a sense for, you know however you measure market share, what proportion of the market share would be 60 publishers could roughly account for? I hope the question is clear.
- Dr. Pramod Khera:** The question is clear. See these are early days to talk about market share because we have just started six months back. Now currently books are being sold online through various distributors and some of the publishers directly also sell. And our estimate is that the number of books being sold per day could be around a lakh of books but there are no really authentic figures that are available but this is a guess estimate. So that is as of market today.
- Ashwin H.:** And that is the overall market know, completely understood that? I think you had also mentioned this on the previous conference call. What I was trying to get a sense for is; as you look at increasing your relationship with various distributors, I am sure you will be prioritizing distributors based on either size or importance or some criteria, right? How do you typically think about this and then as you try to enroll more and more distributors, how can one estimate the potential of those distributors in this 1 lakh sort of overall market size? I meant publishers.

- Dr. Pramod Khera:** If you look at the publishers, there are different types of publishers. They cater to different segments like education and then for the test prep and there is trade, etc. so we have some sort of an idea about which are types of books which sell online and since we are working very closely with Amazon, Flipkart, we keep getting datas to which are the titles, which we are selling and which we are doing well and then we target to acquire those titles from the publishers and that is how we are growing our market, so that is how the whole business is working currently.
- Ashwin H.:** So essentially you are also trying to take into new relationship, not for ones that you have had in the past whatever 15, 20 years?
- Dr. Pramod Khera:** It is both, in fact what has really helped us to ramp up so fast is our existing old relationship that we had and now of course, looking at some of the segments which we are not catering to in our print business, those are new relationship that we are building.
- Ashwin H.:** Then just form your own number of title ramp up perspective, what is the visibility on that? How should one think about how many titles you will add to let us say on Amazon by the end of this fiscal?
- Dr. Pramod Khera:** See that is what I mentioned that today it is around 4.5 lakh titles, we are trying to get to one million in the coming months, whether we will do it by the end of this fiscal I mean, it should happen we do not know but we are trying for that.
- Ashwin H.:** Last question on Rapples. What is the kind of run rate from a revenue perspective? I understood from various again conference calls I could figure out that you are expecting a breakeven this year. Now what would be the revenue run rate on an annual basis?
- Dr. Pramod Khera:** So revenues could be in the range of around maybe Rs. 1500 to Rs. 2000 per student per year.
- Ashwin H.:** No, I was thinking more accumulated at a company level. Rs. 1500 to Rs. 2000 per year multiplied by number of students or what is that?
- Dr. Pramod Khera:** Currently our number of students are not that great. It is around 2000 or so.
- Ashwin H.:** Okay, so that is the sort of the run rate currently; 2000 multiplied by another Rs. 1500.
- Dr. Pramod Khera:** It also depends on the type of school, like what I mentioned about Podar School; there we are able to get a better per student realization whereas the government school would be much lower.
- Ashwin H.:** One final thing; from a traditional business perspective, which is I am not talking about Africa but the Indian business, what kind of plan do you have from a growth perspective? I did see that in the current presentation that you guys have signed up with Oxford, etc., but how do you

see that market panning out? Is it something that you expect the market to be stagnant or that business to be stagnant rather, not the market, your own business and then you are going to add through these initiatives on E-Retail and Rapples or how does one see that business lines?

**Dr. Pramod Khera:**

See like I mentioned in the previous calls also, right now what we are doing is that we want to get quality customers and strategic customers. So, we are not really running after all sorts of publishers and then getting stuck in terms of debtors, etc. So we have been very choosy in getting the right business but it is growing and we are adding more and more multinationals and business from multinationals is growing, from domestic business is growing. We have seen from the previous quarter, we have grown by 13% and so for domestic business should keep on steadily growing, exports is down but like I mentioned the moment the macroeconomics situation revives, we should be able to jump back into exports and that should again bring us back into the type of turnover that we used to do earlier from exports. So that is where we are as far as the print business is concerned, the focus is on growing the E-Retail business which today we have reached a run rate of almost 2.5 lakhs to 3 lakhs per day and is growing day by day. So let us see how much that will be able to contribute in the coming years to the overall turnover of the company.

**Ashwin H.:**

And then these companies like Gelato, I do not know if you have heard of them, right? These are the Norwegian "disruptors". Do they act as in any way competitors to you when they are trying to outsource printing through a centralized app, etc.?

**Dr. Pramod Khera:**

Which companies have you mentioned?

**Ashwin H.:**

Gelato. It is a Norwegian company, basically they are a sort of printing capacity aggregators, loosely put and they were actually planning to expand into India, so I was just wondering if you were aware of that and if those people come in the competition in segment at all.

**Dr. Pramod Khera:**

I am not aware of this particular company that you have mentioned but there are print aggregators globally and which have approached us but they work in a very loose sort of a conglomerate for everything where any opportunities that comes up from any other part of the world, they just put you in touch with them and then they will negotiate and work it out but just contains specifically one of my colleagues who just gone through the site, they are printing letter heads, etc. See we are focused on books.

**Ashwin H.:**

By the way, one off their, this thing is that retail and letter heads business, they actually have an enterprise solution also; Gelato. So what they do is basically let us say, an MNC wants to print its annual reports or publications in India, so they will approach the Gelato. Whole outsource capacity in India and they of course take a cut for that.

**Dr. Pramod Khera:**

Understood. So see annual reports, etc. we also used to do earlier, we have got out of that segment. We are just focusing on books right now and publishing industry. And that is where

we are specialized in and we believe that if we focus more on that segment, we will add value to our customers, our clients; that is what we are trying to do and we do not want to get distracted with other segments, with a now opportunity in printing like packaging is there, security printing is there and in fact the whole field is quite vast which many of the printing companies in India are doing but then we are seeing that they are not able to really grow one particular segment, whereas we are seeing consistent growth in the domestic publishing printing that we are doing and we want to keep with that track, stick to that track.

**Ashwin H.:**

And then finally again this is apologies for me being late but the next two quarters the expectation that you had in the beginning of the year on the last two quarters being better still holds, is it?

**Dr. Pramod Khera:**

Yes definitely that holds because the last two quarters are where the domestic business really picks up and also like I said, opening further books itself is pretty robust. and if we strike some good export orders then we should be able to get good second half for the current financial year.

**Moderator:**

Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

**Dr. Pramod Khera:**

Since there are no more questions, I would just like to thank all of you for participating in this call and from both Mukesh Dhruve as well as from my side, have a very happy and a nice weekend. Thank you all.

**Mukesh Dhruve:**

Thank you.

**Moderator:**

Thank you very much members of the management. Ladies and gentlemen, on behalf of Repro India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

