

BSE Code: 532687 **NSE Code:** REPRO **Reuters Code:** RPRO.NS **Bloomberg Code:** REPR:IN

Repro India was established in 1984 as a provider of integrated print solutions to publishers and corporations the world over, offering significant backward and forward integration which involves managing customer's content, printing and delivering in different formats. Repro serves customers across four continents by producing multiple product formats such as books, e-books and other interactive content. Recently, the company has acquired the printing operations of Macmillan Publishers India Ltd.

Investor's Rationale

Repro's recent acquisition of Macmillan Publishers India Ltd. (MPIL)'s printing operations in Chennai is likely to add significant synergies to the long term growth strategies of the company. Besides, helping Repro to expand its presence in the southern part of the country, the deal is expected to churn out a business of over ₹0.5 billion every year for the Mumbai-based firm up to FY16E.

With heavy investment in backward and forward integration, Repro has strengthened its position in the industry with world class infrastructure as a one stop solution provider in the Indian publishing industry. Repro is well equipped to handle the needs of a publisher, right from managing and repurposing content, to printing and binding to delivery anywhere across the globe.

Education sector remains the key focus area for Repro, which generates around 90% of its revenue for the company. During Q3FY12, the company has closed a few million dollar contracts from the overseas market especially from the African region. With the recent outsourcing deal with MPIL to print education books and growing relationship of MPIL with various schools of India, we expect Repro to stay at an advantage for long term.

With the completion of all the capital expansion plan at all its facilities, by the end of December 2011, Repro with its fully integrated facilities at Mahape and Surat is set to cater the publishing needs of all the four zones - East, West, North and South in the domestic market, which currently accounts around 45% of the company's revenues.

Repro as a holistic solution provider serves 450-500 clients in India and 500 overseas. 80% of Repro's customers give repeat business and engage with Repro in long-term contracts ranging from two to ten years, which assures constant inflow of revenue to the company, supporting its long term growth strategies.

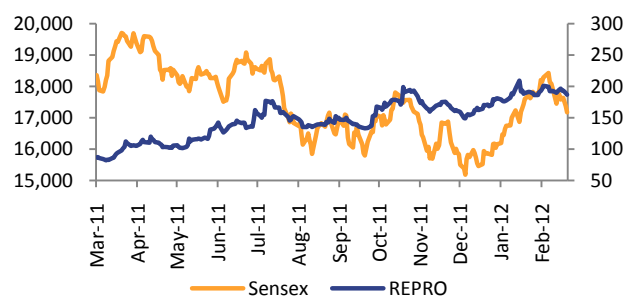
Market Data

Rating	BUY
CMP (₹)	189
Target (₹)	240
Potential Upside	~27%
Duration	Long Term
52 week H/L (₹)	218.0/81.0
All time High (₹)	277.2
Decline from 52WH (%)	13.3
Rise from 52WL (%)	133.3
Beta	0.4
Mkt. Cap (₹ bn)	1.9
Enterprise Value (₹ bn)	3.0

Fiscal Year Ended

	FY10A	FY11A	FY12E	FY13E
Revenue (₹mn)	2,013.7	2,596.1	3,374.9	4,218.6
Net Profit(₹mn)	175.6	227.9	483.3	677.8
Share Capital	105	106	106	106
EPS (₹)	16.7	21.6	45.8	64.2
P/E (x)	11.3	8.7	4.1	2.9
P/BV (x)	1.6	1.4	1.3	1.0
EV/EBITDA (x)	8.9	8.1	4.9	3.4
ROE (%)	14.2	16.3	31.0	35.5
ROCE (%)	6.5	7.5	14.8	19.1

One year Price Chart



Shareholding Pattern

	Dec'11	Sep'11	Diff.
Promoters	67.1	68.1	(1.0)
FII	5.2	5.3	(0.1)
DII	-	-	-
Others	27.7	26.6	1.1



With all its publishing facilities at the near proximity of ports, Repro stands out as the largest book exporter of India

Over the years Repro has heavily invested in development of technology to provide a unique shopping experience for its customers while also serving as an order to production workflow.

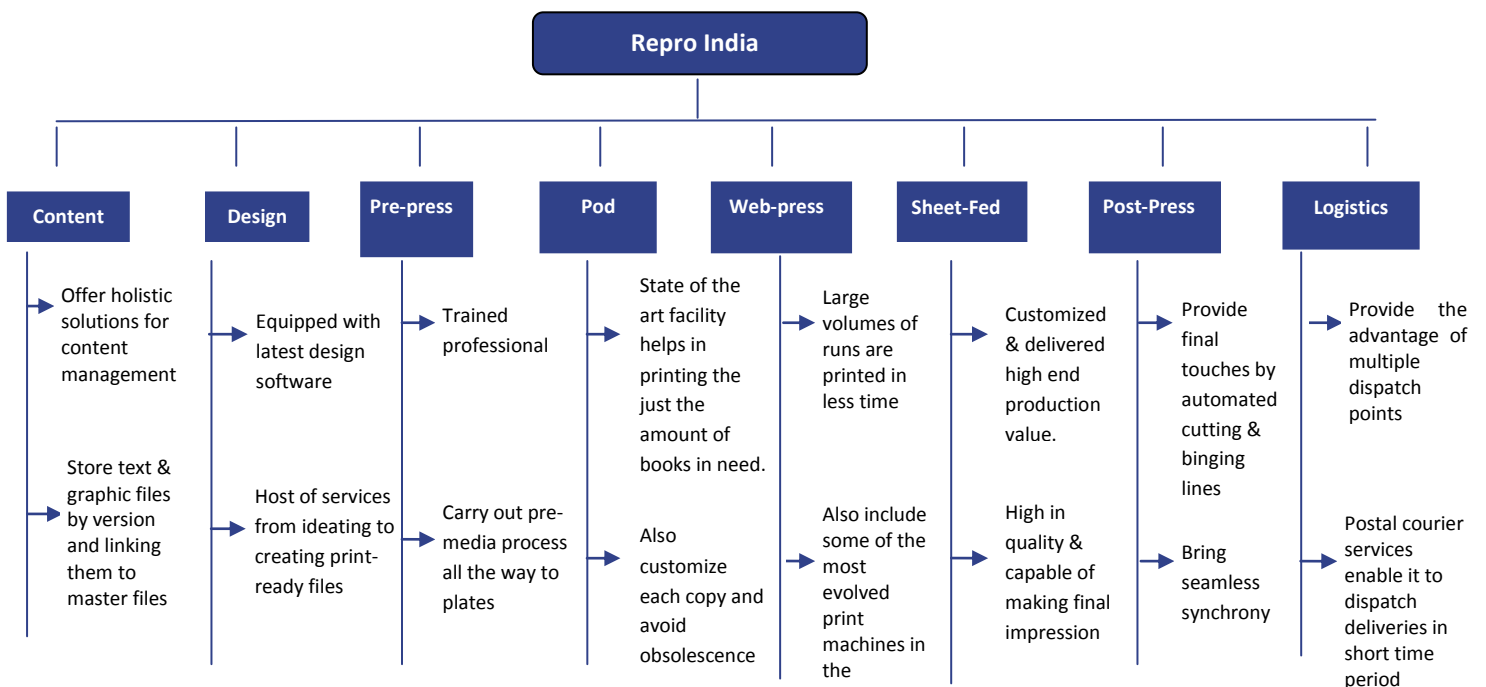
Repro maintain leadership with well equipped with modern technologies

To maintain its leadership position as a one stop solution provider in the Indian publishing industry, Repro has heavily invested in backward and forward integration for better management of the content and on time delivery in various formats. Repro is well equipped to handle the needs of a publisher, right from managing and repurposing content, to printing and binding to delivery anywhere across the globe. With both its plants, located at the near proximity of ports, Repro has also emerged as one of the largest books exporter in the country. Currently, the company prints one million books per day and exports to 25 countries across the globe with a greater market in the African continent like Nigeria, South Africa and Ghana etc.

In the recent times, Repro has invested heavily in building a world class IT infrastructure to include digital advances that meet the needs of its clients by setting up a Web storefront. Repro's EFI Digital Storefront (DSF) is an online web storefront serving as a customizable platform for print businesses that provides a unique shopping experience for its customers while also serving as an order to production workflow. Enterprise Content Management (ECM) is another Repro Technological achievement, used in the process of implementation orders with greater efficiencies. Today, Repro is well equipped to meet the demand of quick production – from a single copy to thousand of books with its digital Print-on-Demand technology.

Repro offers innovative techniques of printing, such as write and wipe, perforation, paint with water and sticker books, among others. Keeping pace with changing needs, Repro has developed digital solutions such as providing soft copy of annual reports and other company updates online etc. Completing the value chain, Repro also offers warehousing and logistics solutions to its vast clientele across the globe. The company's ERP solution also enables its clients to track their projects online, right from the manufacturing process up to the delivery at their chosen destination.

Repro India Business verticals





Repro-Macmillan ₹42.5 million deal to generate business worth ₹2.50 million by FY17

Growing relationship of MPIL with various schools of India to work in advantage of Repro

Repro has recently acquired the printing operations of Macmillan Publishers India Ltd. (MPIL), the subsidiary of renowned UK-based publisher, Macmillan for ₹42.5 million (excluding land and building which has been leased by MPIL to Repro). As a part of the deal, MPIL will outsource the printing of its education books to Repro, which will translate into a business of over ₹2.50 billion for the Mumbai-based firm in the next five years. Beside, MPIL has relationships with 20,000 schools in India. This number can grow to 25,000, 30,000 and even higher in the coming years; this in turn can also turn in favor of Repro long term growth strategy.

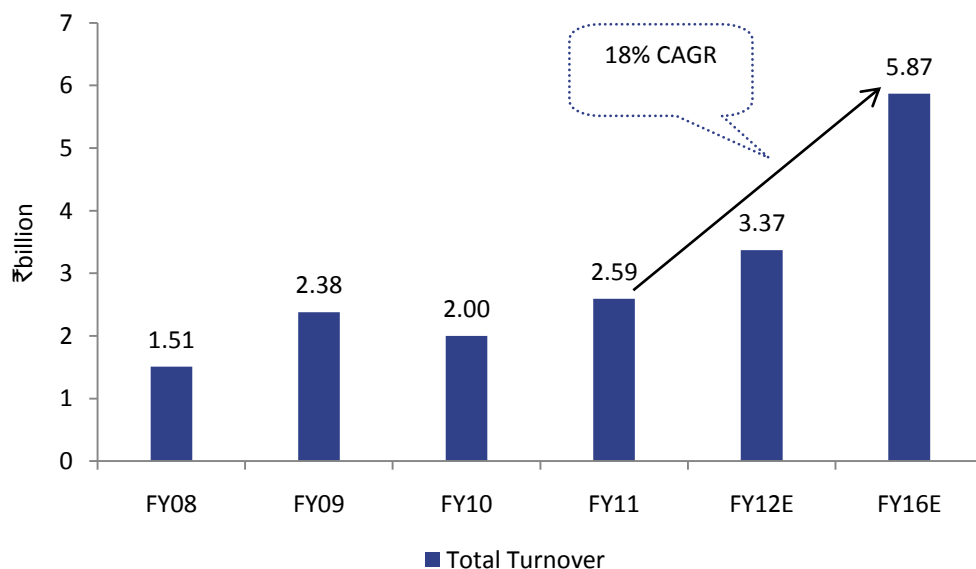
Repro-MPIL deal, apart from strengthening presence in South India will also help Repro in strengthening its existing relation with Macmillan and opens opportunity for further business

The acquisition of MPIL's printing operations in Chennai, which has a deliverable capacity of about six million books per year and generate revenue close to ₹200 million per annum will further strengthen Repro's foothold in the Southern part of the country. Beside, the partnership with a large global publisher like Macmillan will also help Repro in obtaining access to some of Macmillan's global business and hence strengthen its relationship further. Repro presently, deals with Macmillan in about 6 to 7 countries including India and the UK. Macmillan has presence in more than 60 nations. The total outsourcing budget of Macmillan worldwide is close to US\$600-700 million and hence the deal opens vast opportunities for Repro in the global publishing arena. MPIL is focused on publishing innovative, need-based, stimulating and enlightening books for Indian Education sector. It has about 3,000 titles and relationships with over 20,000 schools all over India.

The deal entitles Repro to have 85% stake ownership in the printing operations of MPIL. It intends to acquire the remaining 15% stake in the asset in the coming 3 years. The company is integrating the Chennai plant to its centralized processing system and is also analyzing the opportunity of capacity expansion.

Anticipating Repro-MPIL deal to trigger up Repro's revenue basket significantly, we expect, Repro's total turnover to achieve a 18% CAGR growth in the coming 5 years

Total turnover growth pegged at 18% CAGR in the coming 5 years





Banking on the combined advantage of India, being the third-largest publisher of books in English and competitive rates for publishing and printing technologies, Repro has increased its focus on the evergreen education sector

With increased focus on education sector, Repro expects domestic and exports to contribute equally to the total sales of the company in years ahead.

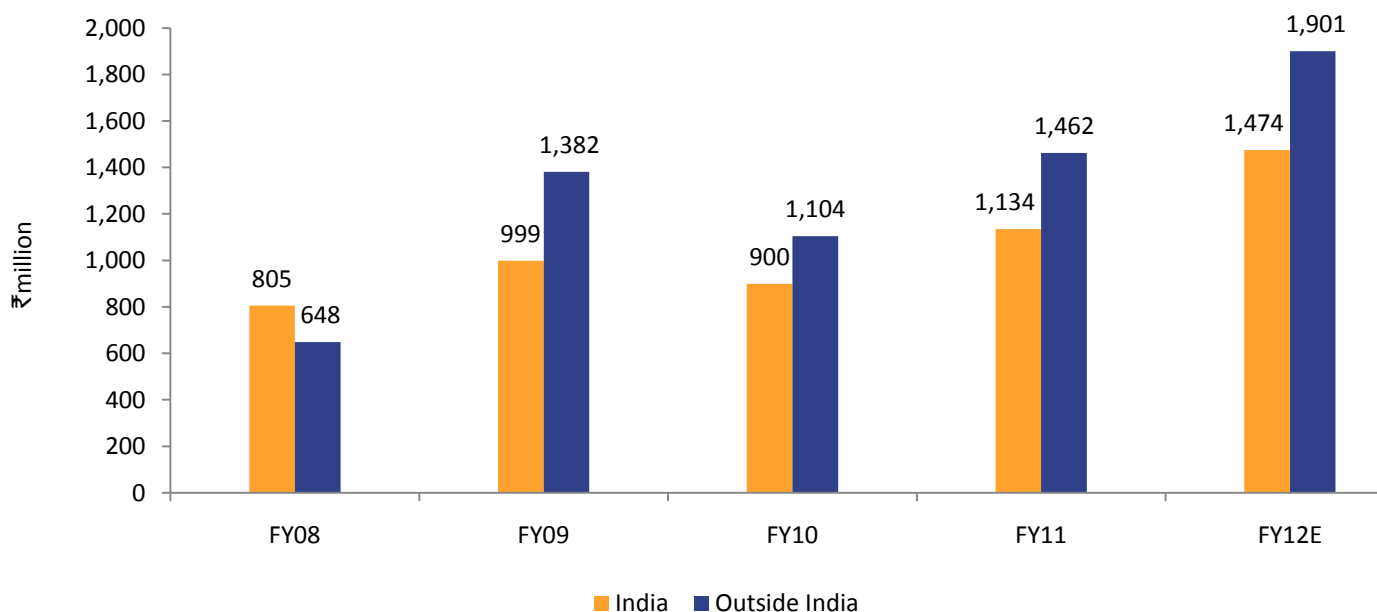
Banking high on the booming publishing industry of India

Ranked as the sixth-largest publishing industry in the world, India has its entire gamut of publishing activities and services available in-house. With an annual output of 90,000 books, the industry has reported a strong growth of 30% YoY and is currently estimated to be over ₹45 billion. Banking on the combined advantage of India, being the third-largest publisher of books in English and prevailing competitive rates for publishing and printing technologies, Repro has developed a fully integrated facilities at Mahape and Surat to cater to all the four zones - East, West, North and South in the domestic market, which currently accounts around 45% of the company's revenues.

In India too, education sector remains the key focus for the company and accounts for close to 90% of the company's business with majority of its customers being the publishing houses. Some of its major clients include Pearson, Macmillan, Oxford University Press, Orient Blackswan, Laxmi Publication, Vikram, Saraswati Publications, etc. On behalf of publishers for schools funded by the state governments as well as ICSE, CBSE books Repro performs the printing job for them.

Repro also had a strong hold in the annual report printing business; however it is now shifting its strategy and the focus towards the education sector (annual report currently only 5% to 6% of total sales). However, it currently along with annual report printing offers a range of value-added services for every step of the value chain, right from content creation up to the product dispatch which includes Content Creation and Management, Designing, Pre-Press, Printing, Post Press and Logistics. With the completion of expansion at the Mahape printing unit, acquisition of the MPIL's Surat operations and increasing focus on the education sector, the company expects strong growth in the domestic segment and expects domestic and exports to contribute equally to the total sales of the company in years ahead.

Repro derives around 55% of its total revenue from the overseas market





With strong footfall in the overseas market, especially in the African nations, Repro's export sales contributed 60% to its total revenue basket in 9MFY12.

Repro is also developing a digital ware house to mark its foray in to the e-publishing business.

Execution of large contracts in India and Africa and capacity expansion at Surat Plant helped Repro to register marvelous 9M results with 98%YoY growth in net profits

Repro eyes to enter francophone countries to boost export business

Repro has witnessed a strong growth momentum of around 33% YoY growths in 9M FY12 in its exports business while the growth in the domestic business has been only 7%. Of the total sales exports in 9M FY12 contributed 60%. The company enjoys strong foothold in the overseas market especially in Africa, US and UK, where Africa contributes close to 90% of its total exports. In the African region, Repro focus area remains the educational sector where there is huge growth potential backed by government activities and funding by institutions such as UNESCO, World Bank etc.

During Q3FY12, the company closed a contract of delivering around 5.2 million books with the Ethiopian government and a large contract of around 22 million books worth about \$12 million was also executed during the quarter. The company is gradually shifting its focus towards other geographic regions such as UK and US regions and is participating in a number of exhibitions to increase its client base. With the new capacity on stream the company is well poised to grow in the potential high margin export market. Further, the company is also eyeing to enter the French speaking countries.

Beside, the company is also pacing up to enter the e-book and e-pubs business. The company presently operates with a vast clientele of around 400-450 publishers in India and around 500 publishers abroad. Repro is investing in developing a digital warehouse which will help the company to convert the launch the digital format of all the books it has published so far.

9MFY12 reports strong with 98% growth in net profit

The end-to-end print solution provider for domestic and international customers reported 56% rise in net profit at ₹82.7 million for the quarter ended December 31, 2011 as against ₹52.9 million in the same quarter of last year, owed to lower raw material and employee cost, reflecting better buying power and efficiencies achieved during the quarter. In terms of trade, overall business enhanced by 24% as domestic business registered 12% growth while exports recorded growth of about 33%. For the nine months period, net profit clocked by 98%YoY robust growth at ₹263.7 million as compared to ₹133.3 million in the nine month ending last year. In line with this, the company posted 20.9% revenue growth during nine months period at ₹2,309.4 million, which in turn registered expansion of around 500bps in EBITDA margin. During 9MFY'12 export is at 60% and domestic is at 40%, recording a 33% and 7% nine month growth in export and domestic business respectively, as capacity expansion at its surat plant boosted revenue from the plant ₹689.3 million in 9MFY12 to ₹1,022.6 million in 9MFY12

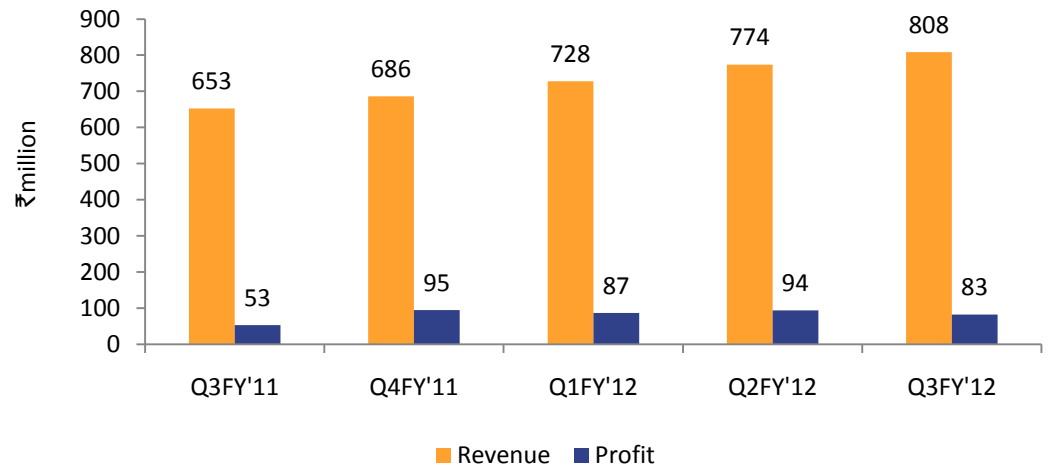
The growth witnessed in this quarter has been in line with guidance, as it executed some huge contracts in India as well as Africa. In India, Repro has signed a few contacts with the publishers like Oxford, Britannica, and Cambridge etc. Further, the company continues to expand markets in foreign territories including Africa, the UK and the US, and is increasing its focus on domestic market. The print and publishing industry is estimated to grow at a conservative CAGR of 10% during 2009-13. In publishing segment, educational and academic books constitute 70%. Education-related printing offers high growth potential with increased awareness on education in third world countries. With India slated to be the biggest English speaking country, all the education-related companies are expected to move to India by 2020. Thus, it seems to be a significant year for Repro, with the expectation of around 25% to 30% revenue growth. All this spells good prospects for Repro going forward.



Quarterly performance in the past one year stays stable with persistent efforts to earn efficiency

Repro has witnessed a strong growth potential in various markets and to tap the incremental demand, it has significantly increased its capital expansion plan during the year, which has come to a halt in Q3FY12.

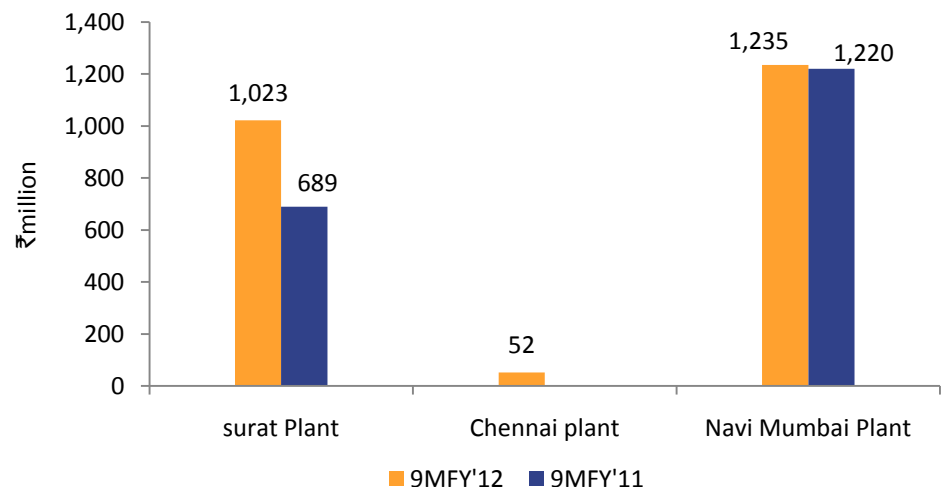
Quarterly revenue and profitability trend



Capacity expansion to drive the growth

Repro currently owns and operates three publishing facility in Mahape, Surat and Chennai. Mahape plant is India first commercially integrated printing facility. Repro has witnessed a strong growth potential in various markets and to tap the incremental demand has done capex at both its Surat and Mahape facility. All the capex was completed by Q3 FY12 and the company now stands at a total annual sales potential of ₹5-5.5 billion, backed by ₹2.5 billion each at Mahape and Surat facility equipped with advanced technologies such as the EFI Digital StoreFront (DSF), an online web storefront and Enterprise Content Management (ECM) by Oracle another system in the process of implementing to facilitate greater in-process efficiencies. With the new capacities on stream Repro is well positioned to post a 18% CAGR growth in net sales in FY11-FY16E. Furthermore, the company is also open for inorganic growth. The Surat plant is located in Surat Sachin SEZ that has full tax exemption until FY14 and 50% tax benefit for the next 5 years. Also with the increased capacity the company may be able to increase its operating margins by economies of scale.

Plant wise revenue generation in first nine month of the year





Strong customer base with around 1000 clients

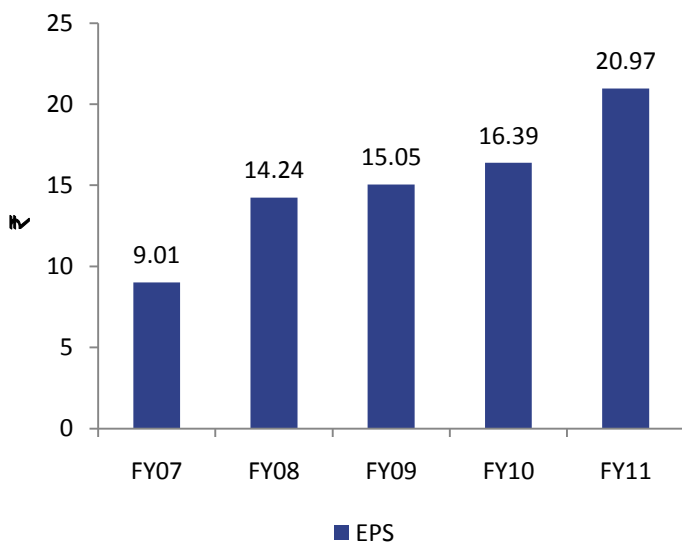
From just a printing press Repro over the years has transformed into a solution provider to specific requirement of its clients. Right from putting into place on-site solutions with digital delivery mechanisms, to connecting publishers with distribution channels that help them open new markets, to helping customers enter the digital space with comprehensive digital solutions – Repro have worked in close collaboration with clients to help them meet their end business objectives. The clientele include Penguin, Pearson, OUP, Orient Blackswan, Lakshmi, Saraswati, Rachna Sagar, Jeevandeep, Chetana, Vikram, Symbiosis Distance Learning, Jetking, IIHT, IMS, ICWA, Subhash, Autumn Arcturus etc. and Indian Corporate include Tata Steel, Nokia India, NIIT, Wipro and Satyam Computer Services. The 80% of Repro’s customers give repeat business and engage with Repro in long-term contracts ranging from two to ten years. Repro currently serves 450-500 clients in India and 500 overseas. Recently it has added UK and US based Baker & Taylor, BPP and Random House to its client list.

Risk Factors

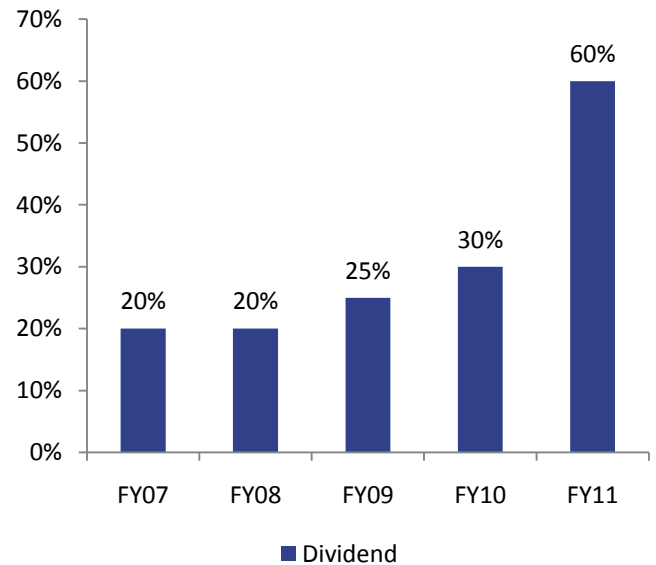
- The performance of the Company is significantly dependent on the timely and adequate availability of paper at a competitive price. Any adverse impact on its availability may adversely affect the company’s continuity of business, ability to meet client commitments and consequently its sales and profitability.
- The company’s export revenues are largely denominated in foreign currency, predominantly in US\$ whereas the large proportion of the costs is denominated in Indian Rupees (INR). This exposes the company to profit/loss on currency fluctuations.
- The rise in the interest cost will increase the cost of funds to a great extent and may impact profitability adversely as the debt is a major source of finance

Repro currently serves 450-500 clients in India and 500 overseas, 80% of which repeats its business with the end to end solution provider. This assures constant revenue inflow to Repro for long term.

Earnings per share trend



Dividend trend





Balance Sheet

(₹million)	FY10A	FY11A	FY12E	FY13E
Share Capital	105	106	106	106
Reserve and surplus	1,128.8	1,288.4	1,453.0	1,802.0
Net Worth	1,233.7	1,394.0	1,558.6	1,907.6
Foreign Currency Difference	1.1	-	-	-
Loan funds	1,353.1	1,560.9	1,638.9	1,557.0
Net Deferred Tax Liability	119.0	78.2	78.2	78.2
Capital Employed	2,706.9	3,033.1	3,275.7	3,542.7
Total Fixed assets	1,366.9	1,427.2	2,069.4	3,000.6
Investment	108.0	90.0	90.0	90.0
Net Current Assets	1,232.0	1,515.9	1,116.3	452.1
Capital Deployed	2,706.9	3,033.1	3,275.7	3,542.7

Profit & Loss Account

(₹million)	FY10A	FY11A	FY12E	FY13E
Net Sales	2,013.7	2,596.1	3,374.9	4,218.6
Expenses	1,700.7	2,294.5	2,818.1	3,459.3
EBITDA	333.7	374.2	612.0	828.2
<i>EBITDA Margin %</i>	16.4	14.0	17.8	19.3
Depreciation	100.4	110.8	116.1	145.1
EBIT	233.2	263.4	495.9	683.1
Other income	20.7	72.7	55.1	68.9
Interest	67.4	67.5	80.4	100.5
Profit Before Tax	165.8	195.9	415.5	582.6
Tax	(9.8)	(32.0)	(67.8)	(95.1)
Profit After Tax	175.6	227.9	483.3	677.8
<i>NPM %</i>	8.6	8.5	14.1	15.8

Key Ratios

	FY10A	FY11A	FY12E	FY13E
EBITDA Margin (%)	16.4	14.0	17.8	19.3
EBIT Margin (%)	11.5	9.9	14.5	15.9
NPM (%)	8.6	8.5	14.1	15.8
ROCE (%)	6.5	7.5	14.8	19.1
ROE (%)	14.2	16.3	31.0	35.5
EPS (₹)	16.7	21.6	45.8	64.2
P/E (x)	11.3	8.7	4.1	2.9
BVPS	117.6	132.0	147.6	180.7
P/BVPS (x)	1.6	1.4	1.3	1.0
EV/Operating Income (x)	1.5	1.2	0.9	0.7
EV/EBITDA (x)	8.9	8.1	4.9	3.4
EV/EBIT (x)	12.8	11.5	6.1	4.1

Valuation and view

Repro with its integrated capacity at Mahape and Surat is well poised to tap the strong demand in the global printing market. With a strong clientele, high end technologies, focus towards high growth education sector and completion of the planned capex, we expect Repro to post 18% CAGR growth in revenue in the coming 5 years term. Thus, we remain positive on Repro's business model, led by ensured stabilized earnings and therefore we rate the stock as 'BUY'. At the current market price of ₹188.7, the stock is trading at a PE of 4.1x on FY'12E EPS of ₹45.8 and 2.9x on FY'13E EPS of ₹64.2.



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